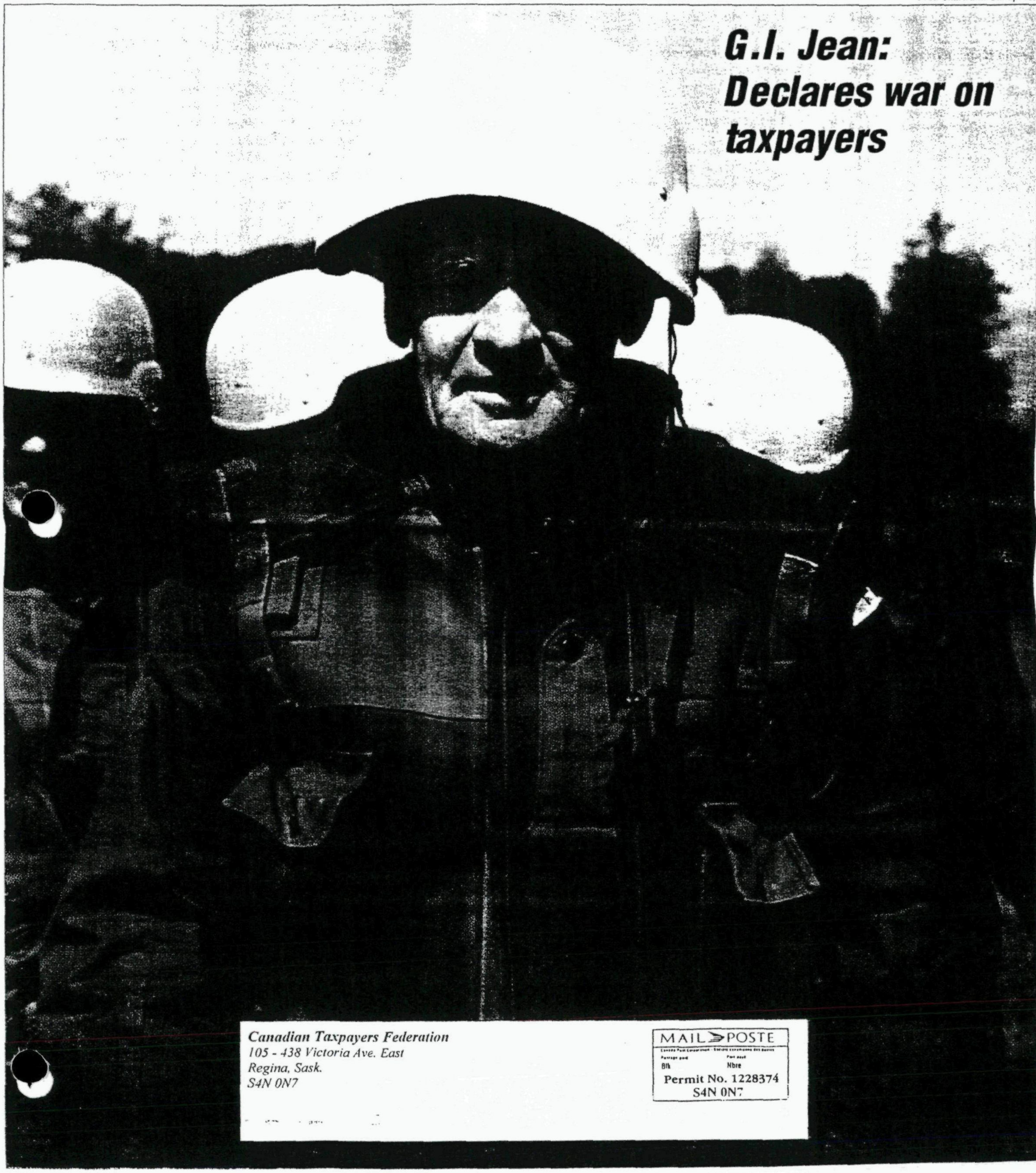
THE TAXPAYER

National edition .... Promoting the responsible and efficient use of tax dollars .... Vol 6 no 4 '94

Fred Chartrand/Canapress



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The Canadian Taxpayers Federation (CTF) is a federally incorporated, nonprofit organization. Our purpose is to promote the responsible and efficient use of tax dollars and to provide the public with information about government spending and policy. Founded in ...989, the Federation is ...dependent of all political ...institutional affiliations and is entirely funded by memberships and free-will contributions.

The Taxpayer is published six times a year and is sent out to the associate members of the CTF. For more information write the Canadian Taxpayers Federation - #105 - 438 Victoria Ave. East, Regina, Sask., S4N 0N7. Or phone our toll-free number: 1-800-667-7933.

Or contact your provincial association:

British Columbia - #604-1207 Douglas St., Victoria, B.C., V8W 2E7, Ph: (604) 388-3660.

The Alberta Taxpayers Federation - #410 - 9707 - 110th St., Edmonton, AB., T5K 2L9. Ph: (403) 448-0159.

The Association of Saskatchewan Taxpayers - 110-438 Victoria Ave. E. Regina, Sask., S4N 0N7. Ph: (306) 352-1044.

The Association of Manitoba Taxpayers - 1211 Richard Ave., Winnipeg, Man., R3E 3H3, Ph: (204) 772-3199.

The Ontario Taxpayers Federation - 203-339 Westney Road South, Ajax, Ont., L1S 7J6, Ph: (905) 686-4345.

Canadian Taxpayers Federation

April 1994 - GST survey summary

1. Did you support or oppose the introduction of the GST in 1989?

i) Supported 21%
ii) Opposed 79%

2. In your view, what are the three biggest problems with the GST today? (Listed in order of greatest response.)

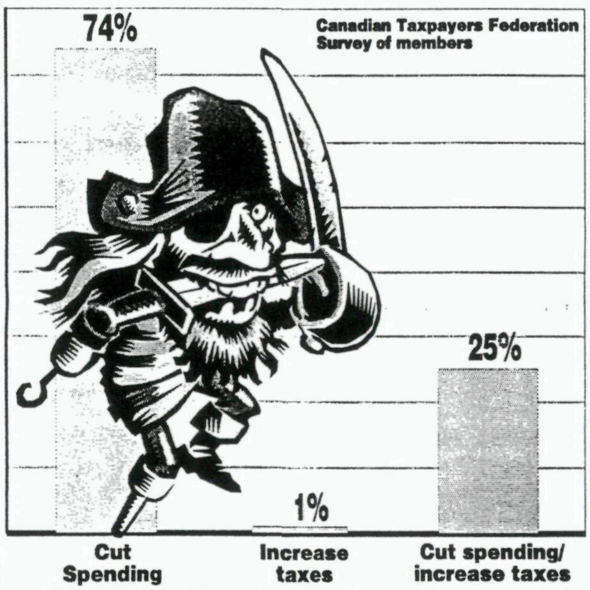
i) Government administration too costly 27%
ii) Paper burden on businesses too costly......................... 25%
iii) 7 % rate is too high 15%
iv) Too many exemptions complicate the tax 13%
v) Visibility of GST is an irritant 7%
vi) GST "regressive" on low income earners 5%
vii) Failure to harmonize GST with provincial sales tax.... 5%
viii) Not enough exemptions 2%
ix) 7 % rate is too low.. 0.6%

Other comments:

- No value for tax paid.
- No accountability for funds.
- Increased underground economy.

Cut government spending

Percentage of people who favour eliminating the GST and want the government to offset the lost revenue by cutting spending, raising other taxes, or combining cuts and tax increases.



3. Do you think the GST should be:

i) Retained in its current form? 19%
ii) Replaced with a different kind of federal consumption tax? 39%
iii) Eliminated altogether? 42%

4. If you favour eliminating the GST, do you think the $17 billion in revenue it generates should be made up by:

i) Cutting $17 billion in federal spending (10 % of the federal budget)? 74%
ii) Raising other taxes by $17 billion (eg. 25 % increase in income tax)? 1%
iii) A combination of cuts and other tax increases? 25%

5. If the federal government replaces the GST with another form of consumption tax, should that tax:

i) Be completely visible to consumers? 46%
ii) Be completely hidden in the price of goods and services? ....16 %
iii) Be included in the price, but visible on the receipt or invoice? ....38 %

6. Many goods and services, such as basic groceries, are exempt from the GST. Would you support a replacement tax which covers more goods and services, but at a lower rate (perhaps 4 % or 5 %)?

i) Prefer a tax with no exemptions and a much lower rate. ....46 %
ii) Prefer a tax with fewer exemptions, slightly lower rate................................. 26%
iii) Oppose taxing more goods to lower the rate. 28%

7. It has been argued that consumption taxes are better than income taxes because they only tax the portion of earnings that people choose to spend, while income taxes are imposed on all of one's earnings, even the portion that is saved. In principle, do you prefer income taxes levied on all of your earnings, or consumption taxes levied only on the money you choose to spend?

i) Prefer income taxes.. 30%
ii) Prefer consumption taxes. 70%

8. Canada is the only country in the world which has two levels of government (federal and provincial) both imposing sales taxes, which adds to the cost and complexity of administering those taxes. In your view, should both levels of government continue to administer sales tax, or should sales taxes be administered by only one level of government?

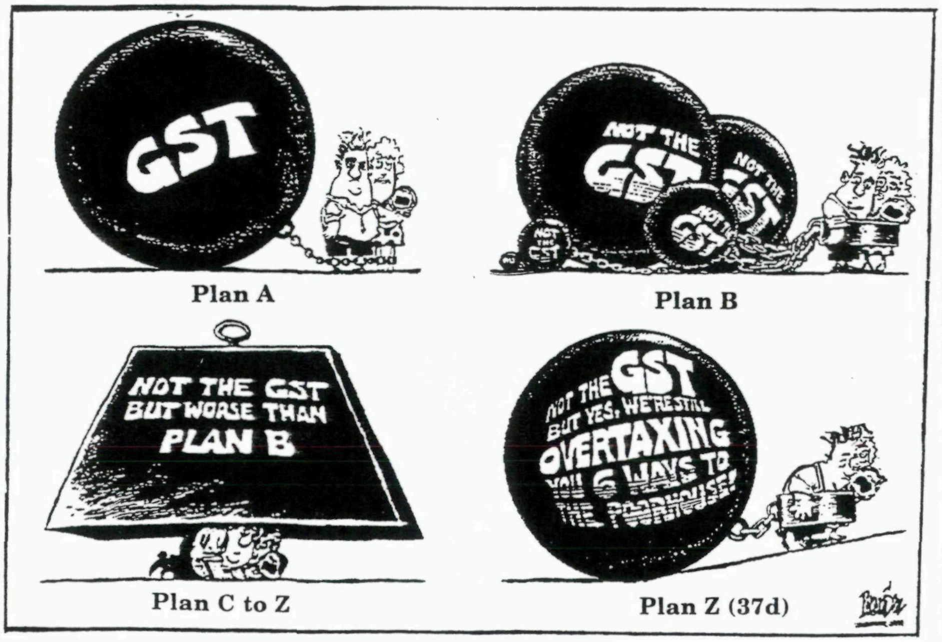
i) Both federal and provincial governments should continue to administer separate sales taxes. .... 17 %
ii) Only one level of government should administer sales tax. .... 83 %

9. If both the federal and provincial governments continue to collect sales taxes, it has been suggested that they be harmonized with one another by applying both taxes to the same goods and services. Would you support or oppose harmonization of the federal and provincial sales taxes?

i) Support harmonization of sales taxes..................... 80 %
ii) Oppose harmonization of sales taxes..................... 20 %

10. Additional comments included:

- Double GST and reduce personal taxes
- Eliminate foreign aid and multiculturalism
- Cut at the top
- Provincial government administer GST and eliminate equalization payments
- Federal tax flat rate of 25%
- Groceries should be exempt
- 2 % to 4 % across the board with no exemptions
- Reducing spending and GST.



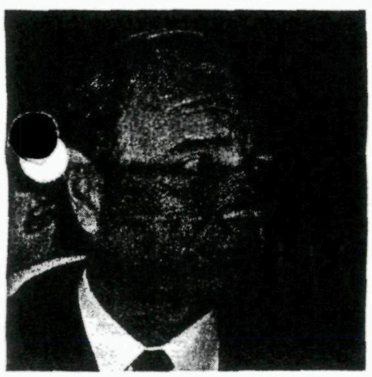
It's time for a tax scrap

"I say there is no tax increase in this plan. I said in an interview the other day if we were to be in war - perhaps." - *Prime Minister Jean Chretien, October 20, 1993*

by Jason Kenney

Well, it didn't take much time after his election before Prime Minister Chretien found himself raising taxes after all. But if there's a war going on, it must be Chretien's war against Canadian taxpayers, who have already been stuck with an increase in U.I. premiums, and over $3.5 billion in tax hikes in his first federal budget.

Rumours are now pouring out of Ottawa that Finance Minister Paul Martin has been unable to convince his cabinet colleagues to cut spending, and that major new tax increases will be unveiled in the next federal budget under the name of "tax fairness". All of which can be added to Chretien's plans to levy major new income taxes as part of his scheme to "scrap" the GST.



Finance Minister Paul Martin: Ready to hike income tax rates.

After the release of a poorly received Finance Committee Report on the GST, Chretien apparently gave marching orders to Finance Minister Paul Martin to come up with a more politically acceptable replacement for the GST, which Martin unveiled at a Vancouver meeting of provincial finance ministers just before Canada Day.

On the face of it, Martin's proposal looks pretty tame. It includes some of the recommendations of the Finance Committee, such as hiding the tax in the sticker price of items and merging it with provincial sales taxes. And he added a special feature which, he figured, was sure to make the new National Value Added Tax (NVAT) a political hit. By lowering the combined sales tax rate from an average of 16% (including GST and provincial sales taxes) to a single national rate of 10%, the NVAT would lower the overall sales tax burden on all Canadians, except Albertans.

But there's one big catch. The lower sales tax rate would mean lower government revenues. Rather than cut spending to make up the difference, Martin has proposed a $6.5 billion flat income tax hike. That would leave an average family shelling out a whopping $750 more annually in income taxes.

And that's not all. Because the provinces would suffer a sales tax revenue loss, they too would increase income taxes.

Ontario, for instance, would likely load another $1.2 billion on top of the federal flat tax grab, adding more than $400 to the average family's income tax bill! All totalled, the average Canadian family could end up paying an estimated $1150 in additional income taxes as a result of the 10% NVAT.

As for the "revised" national sales tax, it would be hidden in the price of goods and services, and could be raised easily by tax-hungry politicians without voters seeing the direct impact. As the table below demonstrates, European politicians figured out long ago that hidden value added taxes are cash cows that can be raised with political immunity.

$15 billion income tax hike?

Several provincial governments have given Martin's NVAT proposal the cold shoulder, but it's still alive and well. Chances are that unless there is a ground swell of public opposition, a modified form of the hidden NVAT will be agreed on this fall and implemented in 1996, together with the massive income tax increases.

However, if the negotiations get bogged down, an even more disastrous scenario might unfold. Prime Minister Chretien is apparently giving serious consideration to doing away with a federal consumption tax altogether, and replacing the lost revenue with a $15 billion income tax hike. Under this scenario, the average Canadian family would end up paying more than $2,500 in new income taxes - by far the biggest income tax hike in Canadian history.

Whether it's Martin's NVAT/flat income tax hike or Chretien's $15 billion whopper, Canadian taxpayers would end up losing. While moving all or some of the GST tax "weight" over to the income tax system might not increase the government's total tax haul in the short run, it would seriously impair our economy and its ability to create jobs.

Most level-headed economists agree that income taxes do much more economic damage than consumption taxes. By stripping people of their earnings before they can decide whether to save it or spend it, high income taxes create huge barriers to work, save and invest, which means less economic growth.

But the greatest danger posed by these proposals lies in the fact that Canada already has one of the largest and fastest growing personal tax burdens in the industrialized world. Substantially higher income taxes would send jobs, capital, and highly-skilled Canadians packing to lower-taxed jurisdictions.

Time to take action

It's not too late to kill Jean Chretien's income tax grab, and with it his government's hidden version of the GST. But taxpayers must be prepared to speak out like they never have before.

VATs around the world

Selected countries: (Source: International Monetary Fund - Unpublished mimeograph)

Country	Year established	Original rate (%)	Current rate (%)	Percent increase
Denmark	1967	10	25	150%
Sweden	1969	11.1	25	125%
Uruguay	1968	14	22	57%
Austria	1973	8	20	150%
Italy	1973	12	19	58%
France	1968	13.6	18.6	37%
Estonia	1992	10	18	80%
Britain	1973	10	17.5	75%
Israel	1976	8	17	113%
Niger	1986	12	17	42%
Germany	1968	10	15	50%
Luxembourg	1970	8	15	88%
Turkey	1985	10	15	88%
Pakistan	1990	12.5	15	20%
[illegible]via	1973	10	14.92	49%
[illegible]bia	1975	10	14	40%
New Zealand	1986	10	12.5	25%
Ecuador	1970	4	10	150%
Cyprus	1992	5	8	60%
Honduras	1976	3	7	133%

Jason Kenney: "With the highest personal income tax burden in the G-7 and the fastest-growing income taxes in the industrialized world, it's almost impossible to believe that the federal government is giving this idea serious consideration."

It's time for a tax scrap!

During last fall's federal election campaign, Prime Minister Chretien promised to "scrap the GST". Well, it turns out that he never really did intend to eliminate it, but simply to tinker with it.

Taxpayers recently got a first hand look at exactly how Finance Minister Paul Martin hopes to "scrap" the GST.

First, he wants to change its name from the GST to the NVAT (National Value Added Tax).

Second, Martin wants to raise the rate from 7% to 10% by including provincial sales taxes in the new single national VAT.

Finally, he wants to hide the tax in the purchase price of goods and services. As the European experience shows, hidden VATs become cash cows that politicians can raise without paying a political price.

The federal government and most provinces would see their sales tax revenues fall under the NVAT proposal. But rather than making up the difference by cutting spending and lowering the tax load, Martin has proposed a new 1.25% federal flat tax on all of your personal income.

That would amount to a $6.5 billion income tax hike, or about $750 for the average Canadian family.

Martin has also suggested that the provinces make up for any lost sales tax revenue through a similar income tax grab, which could add another $400 to the average family's income tax bill. Together with the federal flat tax, **the total income tax take would likely exceed $1150 per family, or nearly $100 a month.**

But the biggest threat to taxpayers is a proposal still lurking in the background to eliminate the GST and replace it with a $15 billion federal income tax hike. According to press reports, Prime Minister Chretien favours the idea, which would be the single largest income tax grab in Canadian history, and which would cost the average family about $2,500 annually.

It's time to fight back!

Canada has the second highest personal tax burden in the G7, and the fastest-growing personal taxes in the industrialized world. Either proposal to increase income taxes could result in massive damage to the Canadian economy and our standard of living.

It's time to tell the politicians that enough is enough. With even more tax increases being considered in the next federal budget, the time has come for taxpayers to take a stand.

If you want to fight the income tax grab, mail or fax the postcard below. **Then call Paul Martin at 613-996-7861.**

Mail or fax it directly to Paul Martin's office: Fax# 1-613-995-5176

The Honourable Paul Martin
Minister of Finance
House of Commons
Ottawa, Ontario

Dear Mr. Martin:

I call on you to fulfill your party's election promise to "scrap the GST". Don't just change its name. Don't just hide it. **And, please don't increase personal income taxes to make up the difference.** Scrap it. I ask you to make up the lost revenues by cutting government spending. Canadians can no longer afford one of the largest and fastest growing tax burdens in the industrialized world.

Name: ______________________________

Address: ______________________________

City/Town: ____________________ Prov: __________ Postal Code: __________

Signature: ____________________

What is the Canadian Taxpayers Federation?

The Canadian Taxpayers Federation is a non-profit, non-partisan organization that provides taxpayers with the tools they need to fight government waste and high taxes.

The CTF was launched in 1990, and now has 85,000 individual supporters in every part of Canada.

Our 5 active provincial affiliates fight for taxpayers' interests at the provincial level in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario.

The Federation's threefold purpose is to act as a watchdog on wasteful government spending, to promote fiscal responsibility and democratic reforms, and to mobilize taxpayers into action.

CANADA'S NATIONAL NEWSPAPER

THE GLOBE AND MAIL

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Lobby groups stepping up tax fight

Consultations over, but Martin hasn't heard last word against increases

BY EDWARD GREENSPON
Parliamentary Bureau

OTTAWA -- Paul Martin may have completed his prebudget consultations with the public, but a potpourri of alarmed interest groups and grassroots organizations have just started gearing up to tell the Finance Minister what they think.

With three weeks to go before Mr. Martin brings down a budget that he says will feature a broadening of the federal tax base, the groups are mobilizing to persuade cabinet ministers and Liberal caucus members to leave them out of the tax-raising exercise.

The effort to talk the government out of budget measures it might be contemplating flows naturally from Mr. Martin's decision to open up budget making through greater public consultation. Tipped off to some of his thinking, everyone from insurance agents to bus boys is seeking to nip these policies in the bud.

"I think people are spooked by what they have heard," says Dan McTeague, a rookie Liberal MP from one of the many suburban Toronto ridings where taxes are a major political issue. "And at this stage, I can only make my own comments to the minister and pass them on so we exercise proper political judgment in this case."

Mr McTeague returned to Ottawa this week after several days to find his mail piling up on the tax issue. The messages, he says, are clear and one-sided: His constituents are not prepared to endure more tax increases.

Indeed, leaders of the 85,000-member Canadian Taxpayers Federation discussed Mr Martin's views on broadening the tax base during a conference call on Thursday and concluded that they have to be prepared to respond vigorously to major tax changes.

"If there are significant tax increases in the budget, we'll help organize public opposition to it," says Jason Kenney, executive director of the fast-growing federation. "And we fortunately have the resources to do it."

For now, though, the bulk of the action is occurring in Ottawa, where interest groups are lining up outside Mr. Martin's door.

Please see MARTIN — A5

For too long taxpayers have allowed special interest groups and politicians to move Canada into a vicious cycle of ever-raising taxes, spending and borrowing.

The result of our inaction is evident in a total public debt of nearly $800 billion, with $70 billion in annual government interest payments.

The Federation's ultimate objectives are to impose legislated limits on the ability of politicians to borrow, tax, and spend, and to empower taxpayers through direct democracy.

Are you concerned about Canada's fiscal crisis? Do you want to make a difference?

As an associate member of the CTF and your provincial affiliate, you will receive our bimonthly publication, *The Taxpayer,* which has been called "the taxpayer's battle cry on newsprint".

To get more information on the Canadian Taxpayers Federation and its affiliate in your province, write to: The Canadian Taxpayers Federation, #105 - 438 Victoria Ave. East, Regina, Sask., S4N 0N7.

Or call:

1-800-667-7933

No Postage
Necessary

The Honourable Paul Martin
Minister of Finance
515 S Centre Block
House of Commons
Ottawa, Ontario
K1A OA6

Canada trims diplomatic fat

Although the idea of a Canadian government agency not encumbered by red tape and bureaucracy seems unlikely, it's happening at the Physical Resources Bureau that looks after buying, selling, and managing all diplomatic real estate overseas.

This bureau was organized last year to empower the Department of Foreign Affairs and International Trade to represent the interests of the government and the taxpayer.

Canada owns 630 properties around the world worth approximately $3 billion. They range from simple apartments to the 4.5 acre Tokyo compound estimated to be worth almost $1 billion. In addition, a further 1374 holdings are leased for an annual bill of around $113 million.

Under the guidance of its chief financial officer, Garrett Lambert, the agency is trying to sell certain assets, and looking to reinvest those funds where it makes financial sense.

For instance last year, five apartments in Hong Kong were sold for $8.2 million. The department is presently leasing space in Hong Kong, but the decision to sell was based on feeling that market prices there had peaked. By reinvesting those financial resources in such places as Seoul, Korea, where no diplomatic properties are presently owned, but inflation is high and rents are escalating, the department can save taxpayers' money.

Last year the government sold $20 million worth of diplomatic properties including a dozen flats in London. As well, Lambert's office identified certain residences and offices in Washington, Paris, and London, which will likely be sold in the near future. They are approaching the sale of property in a results-oriented manner - not a real estate fire sale. Therefore, properties will be held until they can bring the best return.

Last year alone, nine missions were closed and 31 were downsized, resulting in 390 locally-engaged personnel and 82 Canadians serving overseas being released.

Lambert says they are looking at streamlining the entire financial management of the department. For instance, due to poor accounting, employees sometimes waited for months or years to pay what they owed the government in rent. In 200 cases these individuals hadn't bothered to pay at all. Lambert says the money has now been collected and the situation will not be repeated.

As well, at the end of 1990, Foreign Affairs employees and diplomats owed the department $31 million in overdue advances. Lambert says those accounts had never been followed up, but all are now up-to-date.

Lambert immediately initiated an audit of all 144 embassies. Prior to this, embassies only expected to be audited once every six to eight years. As a result, orders were given to clean up such inefficiencies as employees exceeding rent ceilings and unaccounted for funds.

In a follow-up audit of 30 embassies the next year, only two failed to adhere to the Agency's instructions and they had legitimate reasons.

The Tokyo compound: Taxpayers paid $600,000; now it's worth nearly $1 billion. (Maybe we should sell it.)

A few cents at a time

By Troy Lanigan

"Enough is Enough," boldly declares a tattered old handbill - "Students Act Now to End This Trend Towards the Destruction of Your Education... Join a LOUD RALLY TO FIGHT THE HIKE." Pretty dramatic stuff.

If taxpayers were only half this passionate every time our taxes went up, we'd probably find more in our wallets at the end of each month. But, it's not that easy.

The beneficiaries of government spending have every incentive to get as much as they can. Afterall, it only costs each taxpayer a few cents. But when you consider the hundreds of groups each demanding their special status, the total tax bill quickly mounts.

Groups like the Canadian Federation of Students (CFS), which organize such rallies, make no apology for demanding increased government spending. The CFS advocates increased grants for students and universities, the elimination of tuition, and increased taxes to pay for it all.

They are well funded and well organized. And, when it comes time to review post secondary education, take a guess who's going to be in a position to bend the ear of government.

Research done in the U.S. by Yale University Professor James Payne reveals the degree to which these groups are dominating the public policy process.

Professor Payne examined public hearings in Washington, D.C., surrounding 14 bills involving government spending. Of the 1060 witnesses who made submissions, 1014 supported increased spending. Of these, 47% were federal administrators, 33% represented public interest groups, 10% were state and local officials, and 6% were legislators...you get the picture.

What about the other side of the ledger? Of the remaining 48 submissions, 39 were neutral and a mere 7 were opposed to more government spending. Payne's study concluded that spending interests out represented the nonspending interests by a ratio of 145 to one. It's unlikely this ratio is much different in Canada.

More Canadians need to oppose tax increases as passionately as the special interest groups oppose spending cuts.

The imbalance is one reason why our governments collectively borrow more than $1,500 every second. It is also a reason why our taxes keep going up.

Legislation mandating balanced budgets, spending and tax caps would likely reverse the trend, as could initiative votes that would allow the "common interest" to override the "special interest."

But, these solutions must be grounded in the understanding that governments do not have money of their own. For every benefit bestowed to someone by government, someone else must pay for it.

Who pays is a question that needs to be put forcefully to the CFS and the hundreds of other groups with similar agendas.

Troy Lanigan is the Provincial Director for the Canadian Taxpayers Federation in B.C.

It can be done!

The City of Prince Albert has reduced its debt, cut taxes, and maintained services

by Ned Ismail

Taxpayers worldwide are starting to insist that governments be fundamentally restructured to best represent taxpayer interests. Forward thinking politicians are accepting this new reality and are abandoning old systems that ignore efficiency and punish initiative.

There is an excellent example close to home that shows governments are capable of reducing costs while at the same time maintaining services.

In Prince Albert, Saskatchewan, City Commissioner Len Cantin has made significant savings for his community. After holding the line on taxes in 1992, Prince Albert actually reduced its mill rate by 0.5 mills in 1993 and had no increase in 1994. At the same time, the city reduced its capital debt from $23 million in 1987 to less than $8 million in 1994. This happened despite inflation and reductions in provincial grants, and was achieved without a decrease in services for residents.

The city was able to do this by using such cost saving initiatives as contracting out of janitorial services at City Hall and the city yards, automating garbage collection, downsizing administration, and centralizing police and fire dispatch. The city also made debt reduction a priority, which reduced its debt servicing charges. Overall, these changes could result in annual savings well into the millions of dollars.

Further, negotiations are underway to have the city's sewage treatment contracted out to a private corporation. This could result in a one-time capital savings of $7 million, and annual savings of $680,000 or 57% on its operations.

On the north bank of the Saskatchewan River, the city has a neighbourhood which also requires a sewage treatment upgrade. Instead of running piping under the river, Cantin has made arrangements with two Regina entrepreneurs, who developed a new sewage treatment process, but have had difficulty selling it for lack of a working example. This technology, which will be installed by the inventors, will only be paid for if it works. In addition, the city will receive a 1% royalty on all future sales and will provide on-site training on a fee-for-service basis.

Some residents would like to see an arts facility built. Cantin believes this can be done without a negative impact on the mill rate once the city is debt free in 1998. Freedom from debt represents an extra $2.4 million annually - or 12 mills. "Besides," he pointed out, "we have four years to try fundraising. If sufficient funds can't be raised, it will give us an indication of how well the idea is being received in the community."

Apart from his 28 years with the city, Cantin has also been successful in business. He says, "Running a city is similar to running a business. You strive to provide the best product to your customers at the lowest price."

Ned Ismail is a Research Associate with the Association of Saskatchewan Taxpayers. He's based in Regina.

Cantin: Believes governments should provide the best product to taxpayers, at the lowest price.

Some cost saving initiatives - Prince Albert, Sask.

* Contracted out janitorial services at City Hall and city yards - annual savings ***$65,800***
* Completely automated garbage collection - annual savings ***$240,000***
* Downsized administration structure - annual savings 1992 - ***$351,000***; in 1993 and each year after - ***$525,500***
* Introduced early retirement program - annual savings ***$180,000***
* Purchased natural gas from field suppliers instead of government-owned utility - annual savings ***$60,000***
* Negotiated for the sale of land lease at Gateway Mall - annual savings ***$550,000***
* Established a central dispatch for Police and Fire - annual savings ***$120,000***

The race for solvency

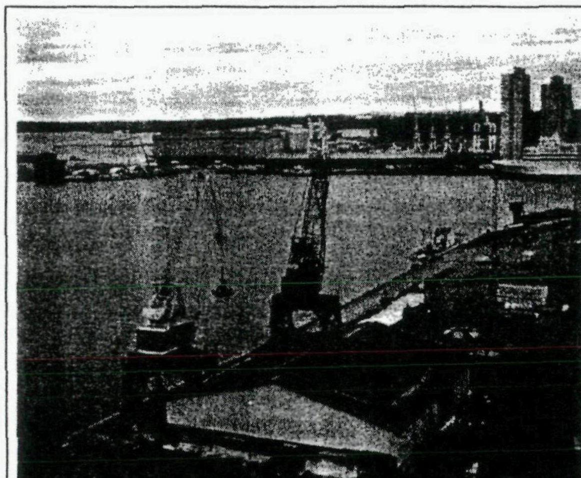
Privatization hits record levels world-wide

In a race for solvency, debt-burdened countries around the world are selling off their government-owned businesses in record numbers.

According to *"Privatization International"*, the first six months of 1994 saw levels of privatization totalling $36.9 billion(US). This compares to last year's record sales of $53 billion, which should be surpassed this year.

Western Europe led the pack as governments bailed out of their government-owned telecommunications, utility, energy and financial institutions. The leaders in privatization for the first six months of 1994 are France at $8.7 billion, Holland - $3.7 billion, Italy - $3.4 billion, Denmark - $3.09 billion and Sweden - $3.06 billion.

Telecommunications seemed a favourite target, as Denmark sold half of Tele Denmark through a share offering of $2.9 billion, and the Netherlands put 30% of its telecommunications enterprise up for sale in June earning $3.7 billion.



The Swedish government has sold off billions of dollars of state-owned companies in an effort to pay down its massive debts.

Other countries such as India, Portugal and Belgium are expected to sell their telecom businesses in the near future.

Sweden announced the privatization of Pharmacia, its pharmaceutical and biotechnology company, which at $1.3 billion (US) will be the country's largest privatization to date. The Swedish government billed this sale as a true "people's share" in an effort to encourage the wide-spread sale of shares among its citizens. Sweden also sold OK Petroleum for $749 million (US), and sold a 49% share in AssiDoman for over $1 billion.

During this same period, Canada, which is the second most indebted OECD country, next to Italy, had only one sale. The Ontario government sold the Skydome for $109 million (US). (The OECD represents the 24 most industrialized nations of the world.) Even Cuba managed to sell more than our Canadian governments when, in a startling move, it sold a 49% share in its telecommunications utility for $700 million (US) to a Mexican company.

Privatization is starting to sweep the world. By selling off these companies, governments not only reduce their debt, but are able to maintain services, and expand their tax base as many of these corporations start paying taxes for the first time.

Canada - a nation of criminals?

ndy Crooks

Canada is becoming a nation of criminals. Non-compliance rates for the GST and sophisticated income tax planning that frequently crosses the border from tax avoidance to tax evasion, have turned Canadians into a nation of law breakers.

Income tax planning has reached new highs of sophistication and lows of legal compliance. The Finance Department is struggling to close loopholes and counter new moves by taxpayers and their advisors. Unfortunately, this ever complicating spiral has no apparent end.

All of this action and reaction has an insidious moral effect. The key distinction between western democracies and the emerging states of the former Soviet Union is the concept of the rule of law. An understanding in the West, both explicit and unspoken, is that citizens will generally comply with the law. In return, legislators, generally speaking, will draft easily understood, easy to follow laws.

However, Canada's new taxation laws have become so complex, difficult, and expensive that compliance is virtually impossible and certainly not the favourite option. So, many Canadians in their own way have revolted. Unfortunately, this revolt is, by any other name, illegal. Therefore, thousands of Canadians have consciously or unconsciously chosen to ignore certain laws.

Once we start down this slippery slope, there is no reason to stop. Having ignored one law, why not another? Respect for law is a key element to the fabric of our society. We tinker with it at our peril, and we abuse it at great risk.

What we must strive for is a level of taxation at which Canadians feel they are getting good value for their money.

Some have suggested this is an unrealistic goal - that Canadians will never feel good about paying taxes. But, this premise is not necessarily true. Canadians have historically felt good about paying taxes, and their acceptance was correspondingly very high.

This continued through the sixties and into the mid-seventies. It was only when income taxes, sales taxes, and excise taxes and other fees climbed to such a high level that we became uncomfortable, and the compliance issue became a problem.

Civilizations throughout history have been able to feel good about paying their taxes. There is ample historical evidence to show that during its centuries of success, the Roman Empire was a well balanced tax regime in which average citizens were quite content to support the public agenda. Similarly, the British empire, during its building phases, enjoyed a large measure of fiscal support.

The US and Canada both experienced decades of tranquil calm in which taxpayers felt they were paying their fair share. But, that has now changed.

Those who have taken up the cause in the tax activist community are after a fair tax regime. They have a definition of fairness that is clear and measurable. Do you believe we are getting good value for our tax dollars?

Andy Crooks is on the Governing Board of the Canadian Taxpayers Federation. He lives in Calgary.

Taxpayer survey

The Canadian Taxpayers Federation would like to know what you think of its flagship publication, *The Taxpayer*. If you can find a few moments to help us out, please complete and return this survey.

1) Overall, how would you rate *The Taxpayer*?

☐ Excellent ☐ Good ☐ Fair ☐ Poor

2) Generally speaking, how much of *The Taxpayer* do you read?

☐ All of it - from cover to cover
☐ Most of the articles ☐ Only a few articles
☐ Just skim through it ☐ Never read it

3) What do you like best about *The Taxpayer*? (List from 1 to 3 in order of preference)

___ Information/news articles
___ Provincial insert
___ Lists of grants
___ Opinion & editorial columns
___ Statistical graphs, charts/tables
___ Other: ______________

4) What issues would you like to see given more coverage? (List 1 to 3 in order of preference)

___ Federal issues
___ Provincial issues
___ Municipal government
___ Examples of waste/extravagance
___ Constructive solutions to gov't spending
___ Agricultural issues
___ Issues impacting small & independent business
___ Action-oriented items (petitions & coupons)
___ Surveys to provide the Federation with input
___ Lists of grants & handouts
___ Democratic reforms, such as direct democracy
___ Activities of the CTF/ provincial associations
___ Other: ______________

5) Do you find articles in *The Taxpayer*:

☐ Too long ☐ Too short ☐ About right

6) The average length of *The Taxpayer* is 24-28 pages. Do you think this is:

☐ Too long ☐ Too short ☐ About right

7) *The Taxpayer* is currently mailed on a bi-monthly basis. Would you prefer receiving a smaller *Taxpayer* more frequently (say 18 pages 10 times a year)?

☐ Prefer current bi-monthly
☐ Prefer a shorter *Taxpayer* sent out more often.

8) Do you think *The Taxpayer* should always address a wide variety of subjects, or would you prefer an occasional issue focusing on a particular topic (such as municipal government)?

☐ Prefer variety of subjects
☐ Would like occasional single-issue publication

9) Do you share your copy of *The Taxpayer* with others (e.g. family, friends, and colleagues)?

☐ Yes ☐ No

On average, how many people including yourself read your copy of *The Taxpayer*? ________

10) Generally speaking, do you find articles:

☐ Easy to understand ☐ Too difficult or technical
☐ Too simple - not enough detail

11) Do you consistently receive *The Taxpayer* on a bi-monthly basis, or have you missed issues?

☐ Consistently received it ☐ Have not received some issues ☐ Do not subscribe

12) Do you like the current newspaper format or would you prefer a magazine format?

☐ Newspaper ☐ Magazine

13) Do you have suggestions for improving *The Taxpayer*?

____
____
____
____
____
____

14) Are you an associate member of the CTF?

☐ Individual/family member
☐ Business member ☐ Not a CTF member

What is your highest level of education?

☐ Some high school ☐ High school grad
☐ Some post-secondary ☐ Post-secondary grad

What is your occupation?

____

Do you live in an urban or rural area?

☐ Urban ☐ Rural

What province? ______________

Thank you. Please return your completed survey to:

Canadian Taxpayers Federation #410-9707-110 Street, Edmonton, Alberta, T5K 2L9 or fax: (403) 482-1744

Balanced Budget Legislation

by Moira Wright

Canada's Auditor General shocked Canadians by revealing that although Canada's federal debt was $465 billion as of March 31, 1993, since Confederation the federal government has only overspent on its programs by $39 billion. In other words, the remaining $426 billion of the federal debt is made up of the interest that we have been paying on that $39 billion shortfall.

To put that in perspective -- because we spent $39 billion more on programs than we took in at the federal level -- we now pay $40 billion a year in interest, and are currently running deficits of between $40 billion and $45 billion a year.

That is a powerful example of why we need balanced budget legislation. Taxpayers recognize the huge negative impact of debt -- higher taxes, less spending on essentials, lower credit ratings, and less confidence in the economy.

What changed in the composition of our political system to create this debt and deficit monster? One of the major factors has been the growth of "special interest groups" or "private interest groups" over the past few decades. They have been able to convince politicians that increasing spending for their "special group" is more important than the crisis that taxpayers face as a whole. The "special interest" has become more important that the "common interest."

This represents a major breakdown in our system of democracy, and it's time to address that imbalance.

The wealth creators and the taxpayers have a right to impose limits on the "tax creators" or the "wealth consumers" to tax, borrow and spend more and more every year.

Unfortunately, our political system seems to have no limits, no rules to prevent this from happening. The only discipline that we face is that of the market. It seems certain that we are destined to face the harsh discipline of a debt crisis, which is currently being foretold by financial markets.

The real crisis lies at the provincial level, where most of the $250 billion debt is owed to foreign investors. No other administration in the world allows its lower levels of government free reign to borrow billions of dollars abroad without any accountability to other levels of government. Ironically, even in Canada, the provinces prevent municipal governments from running deficits.

If we had only the federal debt to contend with, we could manage much easier.

Consequently, what we need, at both the provincial and federal level, is Balanced Budget Legislation to protect taxpayers from further growth of taxes and debt. Experience has taught us that political power must be limited.

Herein lies a major difference between us and the Americans. All but two American states have balanced budget requirements in their constitutions or laws. Most American states also have limits on the ability of politicians to raise taxes and increase spending. The result is that the U.S. has very little tax-supported state-level debt. For example:

- ☐ *In Alaska and Arizona, the government cannot borrow more than $350,000.*
- ☐ *In Missouri, Nebraska and South Dakota, debt is limited to $100,000.*
- ☐ *If the Connecticut government runs a deficit, it is required by law to make it up in the next year.*
- ☐ *New Jersey limits debt to 1% of its budget.*
- ☐ *Kentucky must set aside 2.5% of its budget every year in the event of a revenue shortfall.*

Compare this record to the province of Saskatchewan, with its population of one million people. Saskatchewan has run deficits for the past 13 years. The average Saskatchewan family's share of the gross provincial debt is over $80,000 -- close to the amount that the entire states of Nebraska and Missouri are allowed to borrow!

Many U.S. states also have legislation to protect taxpayers. In 1992, Colorado voters passed Amendment 1, which requires voter approval for any tax increases.

These comparisons starkly reveal the flaws in the Canadian system which has produced huge deficits and sky-rocketing debt. As well, Canadians have the highest personal taxes and the fastest growing tax burden among the world's seven largest economies.

Balanced budget legislation is necessary to stop government's spiralling debt. Taxpayers must also be protected from governments using tax hikes to balance their budgets. Without these measures Canadian governments will continue to do what they do best: borrow, tax and spend.

Moira Wright is the Provincial Director of the Association of Saskatchewan Taxpayers. She is based in Regina.

Putting taxes "on sale"

Today, money can move around the world at the speed of light, and forward thinking governments realize these changing times offer great opportunity.

Switzerland, for example, recently nominated as the best place in the world to live by the *Economist Magazine*, offers an interesting alternative.

The Swiss are negotiating private tax treaties with multi-millionaires from around the world, offering them the opportunity to become residents of their modern, secure country at a cost of only 4% to 5% income tax.

It's a win-win situation. Multi-millionaires, who on the whole cost a lot less to have as citizens, are fleeing their high tax regimes in favour of the lower tax rate, and the Swiss government benefits by having access to that money previously unattainable.

The Swiss situation is not surprising. Governments will find it increasingly difficult to charge more in taxes than the services they provide.

Although the thought of governments needing to have competitive tax rates sends a chill down the backs of politicians and bureaucrats, it's happening more and more often.

Putting taxes on sale, such as the Swiss are doing, could be the wave of the future.

Source: Strategic Investment, February 1993

Business gives government failing grade

Government programs have failed, and taxation is the number one concern of small businesses in Canada, according to a recent survey of 863 entrepreneurs conducted by Arthur Andersen on behalf of the *Financial Post*.

Over 70% of those surveyed said taxes were their number one concern. The second biggest issue facing business was government legislation at 42%. Clearly, Canadian businesses are placing much of Canada's economic woes directly on the plate of politicians.

This survey confirmed what other studies have repeatedly shown - that taxes affect a country's economic performance.

A study by Dr. Richard Vedder, an economist from Ohio University, discovered that the economic growth of the 10 U.S. states with the highest tax rates was 20% lower than the economic growth rate of the 10 states with the lowest tax burden. Though a number of issues affect economic growth, Vedder concluded that tax rates play a significant role.

The *Financial Post* survey also showed that fewer businesses are turning to government programs for help. Only 23% of the respondents said they received government assistance or utilized a government program over the last year. This is down from 28% a year earlier.

As well, only 27% said government programs helped their business to grow - down 4% from a 1988 survey.

In fact, over 87% of those surveyed said they don't believe the federal government was representing the best interests of business in its policies and programs.

As well, in grading the last federal budget, an overwhelming 86% of entrepreneurs concluded that the federal government is not serious about dealing with the deficit, and 97% said they don't believe the federal government has gone far enough with spending cuts.

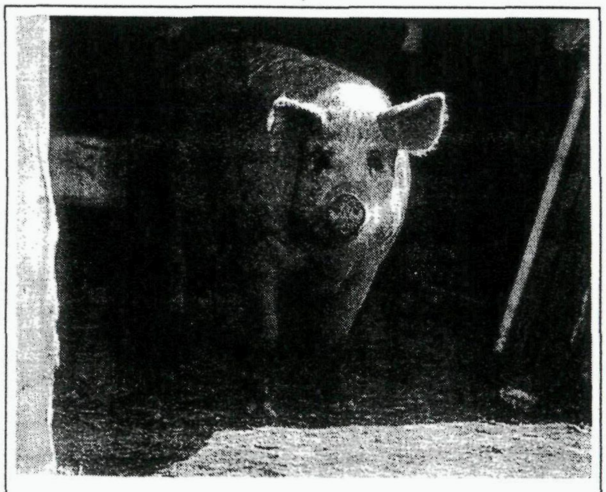
Nearly half believe the federal government's latest budget will have a negative impact on their business, and 83% said they were not willing to see their taxes increased to reduce the deficit.

If creating jobs is a major priority of the Chretien government, maybe it should take some advice from those who are expected to produce those jobs.

Dr. Richard Vedder: "The debilitating effects of taxes are not fully felt until two or three years after adoption. By then, voters will not associate the economic stagnation with the tax increases passed years earlier, and politicians can blame the poor economy on other factors."

Gainers just doesn't seem to go away

According to the Alberta's Provincial Auditor, Donald Salmon, taxpayers are on the hook for $37 million more than what the provincial government reported in its disastrous four year odyssey into the world of meat packing.



Gainers Inc. cost Alberta taxpayers $209 million. When will provincial governments quit wasting tax dollars on funding businesses?

Although the government admitted to a loss of $172 million, by the time the books were closed on Gainers Inc., Salmon said the cost of interest on the money borrowed to finance the deal brought the total up to $209 million.

In 1989, the Alberta government took over Gainers, which consisted of several properties. By the time the government stepped in, Gainers had not paid interest on a term loan, had breached the terms of its agreement with Lloyds Bank Canada, and had failed to commence construction on a hog plant in southern Alberta, as had been set in a prior agreement.

The Auditor's Report on the business said the Province paid $35 million to purchase the debt owed to Lloyds, and in April of 1993 paid a grant of $9 million to Gainers Inc., to meet the requirement of Gainers' bankers for the extension of an operating line of credit. During the period from October 6, 1989 to January 15, 1994, when Gainers was finally sold to Burns Foods (1985) Ltd., of Calgary, operating losses of $101 million added up, as well as a further $2 million in legal and consulting costs. Following the sale of the meat processing business, the province also sold the Kretschmar Inc. and the Magic Pantry Foods divisions. The losses on these sales, the write down of land and buildings, and an interest penalty on prepayment of a loan added a further $62 million to the cost.

The loss figures could continue to grow if the government loses any of the lawsuits against the company that are still before the courts.

If any good came out of the provincial government's dismal venture into the world of free markets, it was that it has since decided to refrain from offering incentives and guarantees to business.

Hyundai autoplant put on hold

It was announced in the [illegible] days of the 1985 Quebec provincial election campaign - Hyundai would be building an auto assembly plant in Bromont, Quebec.

The $450 million plant projected employment of 1,500 by 1991, and annual production, which would start in the fall of 1988, was supposed to reach 100,000 cars by the end of 1991.

Of course this new industry didn't come without a price tag attached. The Quebec and Ottawa governments had offered a combined $110 million in an interest reimbursement type of arrangement. Based on the company meeting certain employment and production goals, the governments would pay the interest on Hyundai's loans. When the company didn't meet all the requirements, the governments' combined contributions only equalled $46 million.

In 1991, the plant's best year, only 28,201 cars were assembled. Altogether, in five years fewer than 100,000 cars were built. In March 1994, Hyundai announced that operations would be indefinitely suspended at that particular fa-

cility. The 841 employees of the Bromont plant, and 70 at the Newmarket, Ont., aluminum wheel plant were put out of work by the closure.

Hyundai officials state they will have a game plan by the fall of this year to determine the future of the Bromont plant. They say their intentions are to find another car to manufacture and re-open the plant.

Did the governments learn a lesson from funnelling $46 million of taxpayers' money into this venture? Obviously not, because the Quebec government has said they are willing to spend another $35 million to help revive the plant. They are also asking Ottawa to provide another $29 million.

It's open, it's closed, it's open again

Montreal's Museum of Humour, which closed earlier this year, reopened on July 19, 1994.

The Museum originally opened with much fanfare on April Fool's Day, 1993. It was started by Groupe Rozon, a Montreal-based entertainment group specializing in comedy, and was to feature, a production centre, dinner theatre and boutiques. It was expected the Museum would not only entertain the public, but would also inform people about the different forms of humour, comedy and laughter. As well, it was also expected to be a training centre for future artists and producers.

Canadian tax dollars played a big part in getting the Museum started, with the federal government contributing $5 million through Industry and Trade, and another $500,000 under the Cultural Initiatives program of the Department of Communications.

In a news release, then Industry Minister Benoit Bouchard crowed that "the new cultural facility will generate substantial economic spin-off benefits, notably in the area of tourism, by helping to attract a larger number of visitors to Montreal."

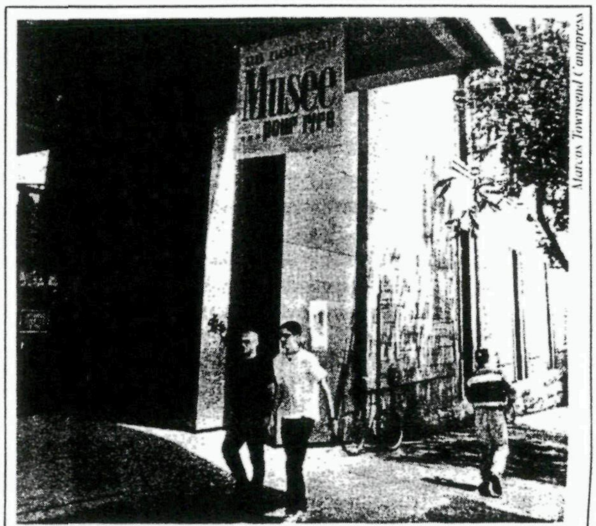
The Quebec government pledged another $5.5 million and the City of Montreal agreed to cough up an additional $2.5 million.

The Museum started running into problems almost immediately, and Groupe Rozon was finally forced to close its doors earlier this year. First year attendance was just half the anticipated 250,000 people, and Groupe Rozon was losing thousands of dollars in the operation.

Shortly after its close in February, a group of Montreal humourists started working to reopen the Museum which they accomplished in July.

The price for a ticket was dropped from $11 to $5, and the Museum hopes to attract 150,000 people over the next couple of months. It also hopes to raise another $2 million to $3 million to help keep the Museum open.

To date, the various levels of government have not committed any additional tax dollars to help keep the Museum of Humour open.



Marcos Townsend Canapress

Will the Museum of Humour need more government handouts to keep going?

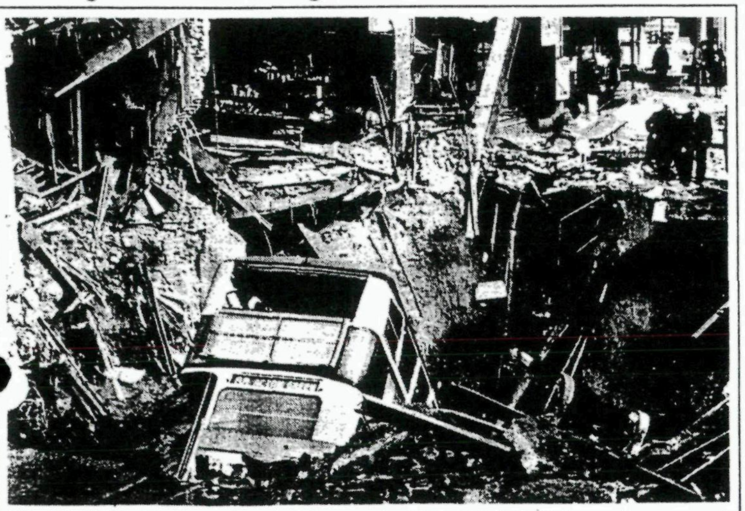
Losing the war on debt

By Paul Pagnuelo

Nearly 50 years ago when our soldiers returned home from World War II, Canada had a debt so large that it remains unmatched to this day.

In fact, Canada's debt in 1945 was 110% of our Gross Domestic Product. So, what's the big deal about our debt? If the sky didn't fall 50 years ago, why would it fall today?

One big reason was that the government took immediate corrective measures after the War. The thousands of soldiers returning home weren't kept on the public payroll, but were quickly assimilated into the taxpaying private sector. As a result, the federal government was able to run healthy surpluses, which it did until 1951. In all, nearly $2.5 billion was cut from the debt between 1947 - 1951, bringing the debt down to 45% of GDP from 110%.



After World War II, there was a good reason for Canada's debt. Today, we have no such excuse and getting out of debt will be much more difficult.

Other factors which contributed to the rapid debt reduction included annual economic growth exceeding 4.5%, relatively low interest rates and taxes, and inflation which averaged over 7%.

Now, let's compare this to current circumstances.

Interest rates are higher today and could remain so for many years to come. As long as we choose to borrow billions of dollars each year from foreign investors to help finance our standard of living, we can expect a huge price tag to be attached. That price tag is reflected in our interest rates.

Second, the late 1940s and 1950s were a period of huge economic growth. The demand for our resources and manufactured goods to help rebuild war-ravaged Europe and Japan was enormous. Today, not only is there not a pent-up demand for our products, but we face stiff competition from the very countries we helped to rebuild. Even our natural resource industries are exposed to heavy competition today. The economic growth that occurred midway through this century was a unique circumstance that isn't likely to be repeated soon.

Finally, lest we forget, taxation has a huge impact on the economy. In 1952, tax revenues accounted for a mere 24 % of GDP; today it's 39 %. Even if further tax hikes were aimed at reducing the deficit, it is unlikely revenues could grow any further because of the burgeoning underground economy and the publics' refusal to pay more in taxes. For the first time in 34 years, the federal government's revenues actually decreased last year!

Unlike 50 years ago, we face higher interest rates, lower economic growth and much higher rates of taxation. We've backed ourselves into a corner. The government has little control over interest rates and can't raise taxes. Relying on another post-World War II economic miracle to grow our way out of debt is wishful thinking at best.

We can certainly learn lessons from the debt situation of 50 years ago, but let's not allow it to make us complacent about the severity of our present predicament. The only logical solution to reducing today's debt is to cut our spending -- and quickly.

Paul Pagnuelo is the Provincial Director of the Ontario Taxpayers Federation based in Ajax, Ontario.

The frog in the pot

By Jason Kenney

On the night of December 16, 1773, a pack of angry American colonists descended on Boston Harbour, where they snuck aboard a British ship and proceeded to throw 342 chests of East Indian tea into the sea. They were protesting a tax on imports, a small levy which has long since been forgotten. But, their rallying cry helped spark the American Revolution, and changed the course of world history: "Taxation without representation is tyranny!"

The level of taxation must have been staggering, one would think, to spur such vehement, and ultimately violent, resistance to government. Yet, incredibly, it was a tax of only about 3% that infuriated the American revolutionaries enough to take up arms.

Why is it that anger toward taxes sparked such a passionate reaction two centuries ago, but not today, even though taxes are infinitely higher?

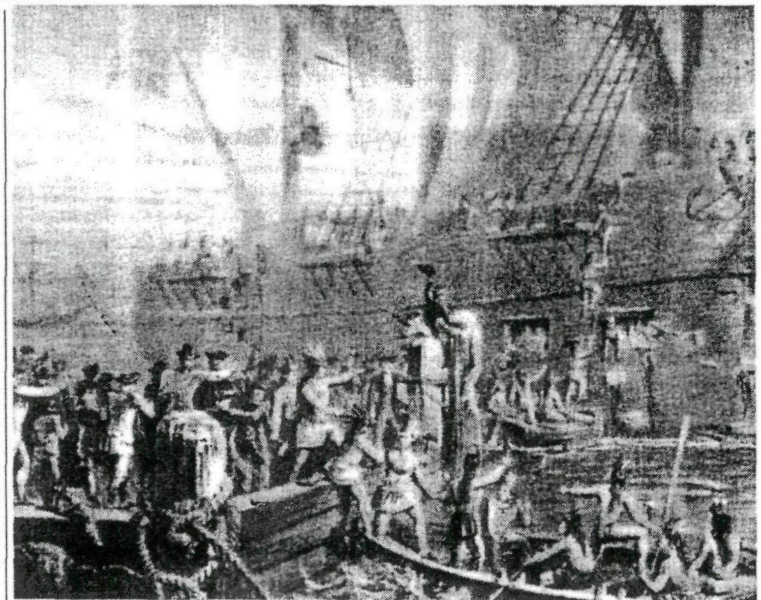
Some people would say that it was a uniquely American response. After all, the United States was founded on the rights of "life, liberty, and the pursuit of happiness," while Canada's Fathers of Confederation chose "peace, order, and good government" as our national purpose. In other words, the United States was founded on the rejection of government authority, and with it the power to tax, while Canada began by accepting the central role of government in society.

So our history helps to explain why Canadians tolerate levels of taxation that would be considered confiscatory in many other parts of the world.

For instance, taxes consume 44% of Canada's economic output and 48% of average family income, but only 29% of output and 34% of family income in the United States. Canada's tax burden is closer to the levels found in many European countries; we have the highest personal taxes and the fastest growing tax burden among the world's seven largest economies.

But, Canada's historic approach to "good government" doesn't fully explain why we have come to accept a tax burden which would have been unthinkable a century ago.

Just listen to what an early Canadian Finance Minister, Sir Richard Cartwright, had to say about our tolerance for taxes in 1878. "All taxation is a loss per se. It is the sacred duty of the government to take only from the people what is necessary for the proper discharge of public service; and taxation in any other mode, is simply, in one shape or another, legalized robbery."



The Boston Tea Party: The Americans started off hating taxes.

When Cartwright spoke those words shortly after Confederation, taxes amounted to about 5% of our economic output (GDP), a burden which stayed relatively stable until the depression, with only a brief increase to 20% during the First World War. Understandably, taxes went up during the depths of the depression and World War II, but slid back down to about 20% of GDP in 1948.

So, how is it that the tax burden has exploded since then to consume nearly half of our economy, and why is it that Canadian taxpayers haven't responded to that explosion with a Boston-style 'tea party'? The answer may lie in the old 'frog-in-the-pot' theory.

It seems that if you drop a frog in a pot of boiling water it will jump right back out to save its hide. But, if you put the same frog in a pot of cold water, and slowly turn the temperature up from simmer to boil, the frog won't notice until it's too late.

Unfortunately, politicians have figured out that taxpayers respond in the same way. Massive and sudden tax grabs inevitably stir up heated opposition, while small, gradual increases aren't noticed, and therefore generally aren't opposed.

Since the late 1940s the tax temperature has inched up year-after-year, to the point where it's now at a full boil. Will Canadian taxpayers jump out of the pot before it's too late, or will we let the temperature continue to rise?

Jason Kenney is the Executive Director of the Canadian Taxpayers Federation. He's based in Edmonton, Alberta.

The recent announcement by the federal government to commercialize and/or sell off some of its airports is reminiscent of New Zealand selling off its airports and even privatizing its air traffic control system in order to raise much needed cash and make the system more efficient.

Much to do about nothing!

In the Senate the other day, the cost of "Official Bilingualism" went up by about $450.

On Wednesday, June 15, Liberal Senator Maurice Riel (Shawinegan, Quebec) launched into a speech that would eventually fill two pages of Hansard. (Hansard is the official written record of all debates and speeches in the House.)

The speech didn't deal with issues of national concern, but was a two-page address on the correct French pronunciation of the name of a dead French existentialist - Albert Camus.

The issue started a week earlier, when Liberal Senator Jerry Grafstein (Toronto) had privately asked Riel about the correct pronunciation of the existentialist's name.

Fortunately, Senator Guy Charbonneau was able to bring the debate to a close with his comment, "Is it not a fact that there is no set rule governing the pronunciation of proper names in French?" Charbonneau is known for his ability to end useless discussions.

According to Canada's Auditor General, it costs about 41.6 cents a word for the government to translate words from English to French and visa versa. Using this figure, it cost approximately $450 just to translate the speech into both official languages and another $8.00 to translate Charbonneau's efforts to stop this waste of tax dollars.

Sask Water springs a leak

A project initiated by the Saskatchewan government serves as a clear example of why governments must rid themselves of the obsession of doing everything themselves and start contracting out more services to the private sector. This move could save taxpayers millions of dollars.

In a letter to the Saskatchewan Construction Association, Sask Water discounted the practice of awarding contracts to the lowest qualified bidders stating, "We are not convinced that such practice has any significant import, legal or otherwise."

Sask Water, a provincial Crown corporation, decided to construct half of a water pipeline with private contractors and half with its own employees. It was a decision that became a source of national embarrassment.

It's the tale of a privately-run side completed on time and within budget, while in direct contrast, the Sask Water portion was months behind schedule, over budget and so full of holes it has been called a "sprinkler system."

In 1992, the Melfort Regional Water Supply System (MRWSS) project was initiated to transport raw water from the Codette Reservoir in north-central Saskatchewan, via a 53 km steel pipeline, to an upgraded water treatment plant in the city of Melfort. From there the treated water would supply the city and neighbouring communities, through a 27 km plastic pipeline. Sask Water would recover its costs over a 25 year period. But something went dismally wrong.

When tenders closed for installing the main pipeline from Codette to Melfort, Miazga Construction of Saskatoon was the low bidder at $2.9 million. NIS Contractors of Regina submitted the low bid of $1.2 million for the plastic portion.

However, the NDP government then informed bidders that "a combination of skilled union and qualified local personnel should be specified for the ...project."

With their initial bids now rejected, companies resubmitted their tenders, taking into account the use of unionized labour. This brought the cost up to $3.9 million for Miazga, which again had the low bid for the main line. NIS Contractors refused to resubmit a tender for the plastic portion, and A.K. Construction of Alberta won the bid at $1.4 million.

Then, in June 1993, Sask Water decided that its own employees would lay part of the main line. Miazga was awarded half with a $1.4 million budget; Sask Water would complete the other portion.

A leaky line

Miazga operated with approximately 18 people. Its portion of the line was ready for pressurized testing in November of 1993. At that time, 11 minor leaks were found, which falls within the normal range for industry standards, and were repaired.

Meanwhile, Sask Water, using up to four times as many people, struggled to complete its half before winter. When their side of the line was tested it had 69 leaks before water pressure was applied.

In an ironic twist, Miazga was finally contracted this spring to repair the leaks on the Sask Water side of the pipeline. Reports indicate that with pressurized tests there were over 160 leaks.

Sask Water had earlier estimated those leaks would cost up to $6,000 each to repair. The work was completed in July 1994 and the pipeline is finally ready to transport water.

Who's to blame?

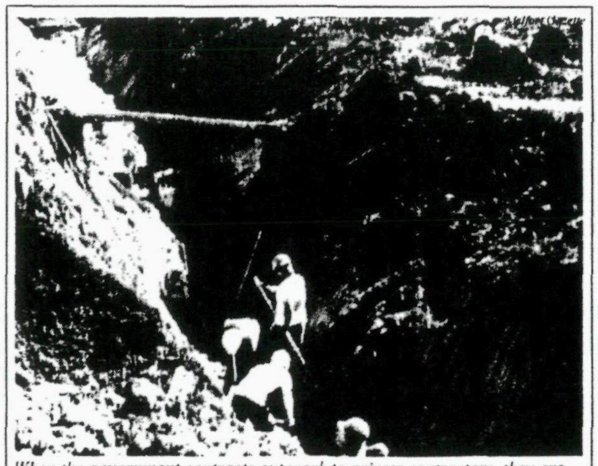
Sask Water believes there was a problem with the seals between lengths of pipe, and indicates court action may be taken against the steel company that provided them. However, the same company also supplied Miazga.

Brian Kaukinen, President of Sask Water, maintains there is no connection between the leaks and the type of labour used. "In fact," he said, "it is the other way around. I'm not saying Miazga's [multi-skilled] crews did anything inferior; I'm just saying that with our use of skilled trades and also qualified trades foremen like the pipe-fitters, that we're in a very good position to defend ourselves ."

But Kaukinen can't explain away the bottom line. Half of the project was completed by the private contractors on time and within budget, while the government-run portion was behind schedule, over budget and in the end was completed by the private contractor.

Sask Water contends a comparison between the two sides is unfair because of different working conditions. It states rain as a reason for the delay, yet Miazga crews were subject to the same conditions. Sask Water also cites such factors as working beside a highway, proximity to power lines, and problems with a high water table. Yet, these would have all been factored into Miazga's original tender before the project was split.

In fact, Sask Water had a $2.5 million budget for their portion, compared to Miazga's $1.4 million for a similar length, indicating these special conditions were considered prior to start-up.



When the government contracts out work to private contractors, they are liable for cost overruns and delays; when the government does the work, taxpayers are liable.

The bottom line

Whatever the excuses for the cost overruns, if a private-sector company does a job it is generally responsible for extra costs and is penalized for any delays. However, when the government does the project, taxpayers are ultimately penalized for inefficiency, waste, and delays.

There is no indication of what the final costs are for the months of extra work or for the repairs in this mismanaged boondoggle. However, by Sask Water's own estimates, they are looking at a projected cost of at least $21.6 million. This would make the cost overrun about 20% above the initial $18 million budget for the entire MRWSS project.

In the Saskatchewan Legislature, an Opposition MLA called for an independent review of the project, and remarked, "That's not a pipeline; that's a sprinkler system... I haven't seen a more glaring example of the differences between privately run and state run enterprises since the Berlin Wall came down."

Canadian Taxpayers Federation appointment

The Canadian Taxpayers Federation is pleased to announce the appointment of Jason Kenney as Executive Director, effective July 23, 1994.

Jason has served as the Provincial Director for the Alberta Taxpayers Association for the past three years. He was the key figure in the successful fight to abolish that province's MLA pension plan, considered one of the richest political pension plans in North America.

For the past eight months, Jason has served as the national spokesperson for the CTF as well as providing oversight to the five provincial associations.

Jason Kenney

Jason was born in Oakville, Ontario, and raised in Southern Saskatchewan. He is a graduate of Saskatchewan's Notre Dame College, where he was recognized as a Saskatchewan Junior Citizen of the year. He did undergraduate studies at the University of San Francisco where he majored in Philosophy. In July 1993, he was nominated by Macleans' magazine as one of the 100 people to watch in Canada.

Jason works out of the CTF's Edmonton office.

Tax dollars blowing in the wind

The City of St. Catharines, Ontario, recently commissioned a study to find out the impact of wind on litter. The $2,000 taxpayer-subsidized investigation was undertaken to find ways to extend the life of their landfill site.

The study concluded, "There is a good correlation between the average wind speed and the maximum downwind distance of litter." Shucks, we could have told them that for half the price.

New Zealand - One year later

by Peter Holle

Last summer, we published a special issue on New Zealand. Like Canada, New Zealand (NZ) had lived beyond its means for years. When foreign lenders stopped buying its bonds, the country had to make dramatic changes. Readers learned about a sweeping revolution that completely re-defined the government sector.

Over the last year, Canadians have heard a lot about NZ through the media. In Alberta, NZ was particularly topical as the Conservative government of Ralph Klein embarked on an ambitious program to eliminate Alberta's deficit. Foes of the Klein plan rallied against the NZ model. Public sector interest groups held sparsely attended protests while the province's large daily papers questioned the whole NZ approach. Fearing the plan's high speed approach to removing interest group privilege, these interest groups demonized Sir Roger Douglas, the tough-minded Labour Government finance minister that pushed through most of the sweeping changes.

What is significant, however, is the degree to which Canadians now identify NZ with sweeping and radical change. Many are wondering whether it might work in Canada.

Over the next four pages we will revisit the New Zealand approach.

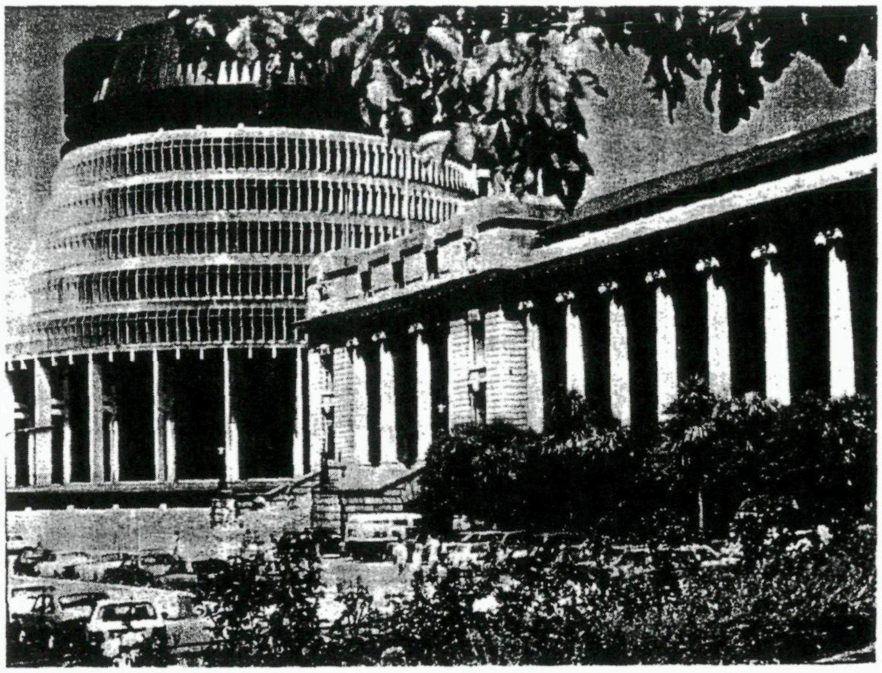
NZ's economy takes off

Canadian taxpayers can take heart from NZ's experience. We can learn from this small country. The benefits from years of reform are finally becoming apparent to everyone.

NZ's economy is taking off. The country has the fastest growing economy in the so called industrialized countries of the OECD. Unemployment is falling fast. Investment and exports are booming. Its dollar is rising ($.85 vs $.72 a year ago). Business confidence is rated as the second highest in the world by *The Economist Magazine*, behind Mexico.

The government's deficit has disappeared. For the first time in 17 years, the country ran a budget surplus, with the result that NZ's debt will start falling for the first time in years. There is an emerging political consensus that surpluses should be used to pay down debt and lower interest payments.

Most significantly, NZ has gone through a cultural transformation. Few farmers or business people want to see a return of the big subsidy programs. Only a marginal fringe want a return to the time when politicians and bureaucrats owned and ran commercial enterprises.



The "Beehive" part of New Zealand's Parliament buildings in Wellington. The government now talks about accountability, performance, and taxpayers getting value for their money.

By lowering tax rates and cutting costs for businesses through deregulation and privatization, NZ has sparked an investment and export boom. With lower costs and a focus on serving market needs instead of government agendas, the farm sector is growing strongly. Manufacturing is up. As a result, business tax revenues are 25% higher than last year. This exceeds the growth in tax revenue paid by NZ households, which generated only 5.2% more.

Public sector reform

While many still have a romantic attachment to government run welfare, health care, and school systems, the level and quality of debate about alternatives is remarkably high. As in Canada, these areas consume an increasing amount of the country's resources.

The concept of the government providing services through huge taxpayer-subsidized monopolies is under attack from several quarters. Many question the unhealthy dependence on government that some of the traditional welfare programs breed.

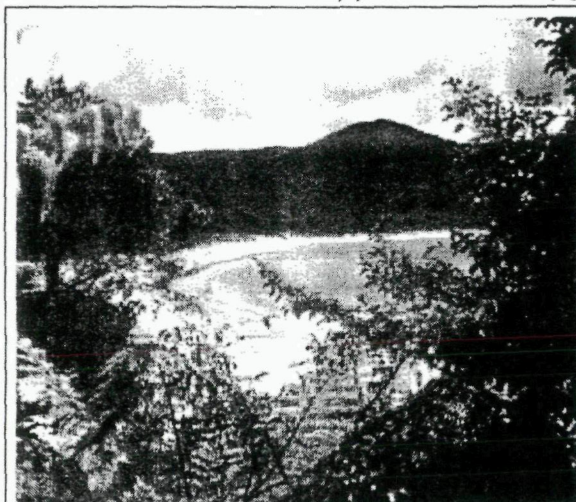
NZ's public sector now leads the world in terms of efficiency and productivity. The top-heavy, unaccountable, service monopolies that dot Canada's lethargic public sector landscape (and cost Canadian taxpayers a fortune) no longer exist in NZ. The buzzwords in the public sector are "performance, value for money, and accountability". Government services have a customer focus and are run along efficient business lines. Departments define what services they will provide and how much they will cost. Of course, once this is spelled out, the civil servants involved can be rewarded for being efficient with taxpayers' money.

NZ has an exciting model of government that rewards productivity and excellent service. It is a model which represents the leading edge of innovative, efficient, and performance-oriented government in the world.

Peter Holle is the Provincial Director of the Association of Manitoba Taxpayers. He is based in Winnipeg.

A tale of two countries

	Canada	New Zealand
Economic growth/year	2.2%	5.3%
Unemployment	10.5%	8.9%
Inflation	0.7%	1.5%
Mortgage rates	10.4%	8.6%
Budget Deficit/surplus (all levels of government)	-$65 billion	+$422 million
Government debt as % of their economy's size	105.6%	38%
Debt	Rising	Falling
Deficit	Rising	Falling
Debt rating	Falling	Rising



New Zealand: Becoming a taxpayers' paradise.

New Zealand - One year later by Peter Holle

The zero income tax monster

A new creature lurks on New Zealand's (NZ) political landscape. It's called the Association of Consumers and Taxpayers (ACT), and it wants to eliminate income tax in NZ. It has 4 objectives:

- *Enhance the living standards for the consumers and taxpayers of New Zealand through sustained growth and the continued development of an internationally competitive economy.*
- *Maintain a framework of social and economic support for people in genuine need of assistance.*
- *Maximize individual choice and responsibility.*
- *Reduce government involvement in people's lives.*

The ACT intends to become a political party in the near future. Sir Roger Douglas lays out its ambitious and well-thought plan in his best selling book "Unfinished Business."

The book outlines a plan to eliminate income tax while still providing a basic standard of public services for those who need it.

How? By getting high cost government institutions and politicians out of the business of directly supplying public services like education and health care. By running surpluses and paying off past debt, and by lowering taxes and creating growth.

It is a radical vision that will push NZ to the leading edge of debate again about the role of government in society. According to reports, it's a vision that already appeals to almost 30% of the NZ electorate.

Sir Roger Douglas

New Zealand saved by Rogernomics

The following letter provides an "I was there" view of the New Zealand reforms. (Letter to the editor, Edmonton Journal, July 2, 1994.)

In response to the letter by David Presser June 23, that Rogernomics failed in New Zealand, I feel compelled to give my version of Rogernomics.

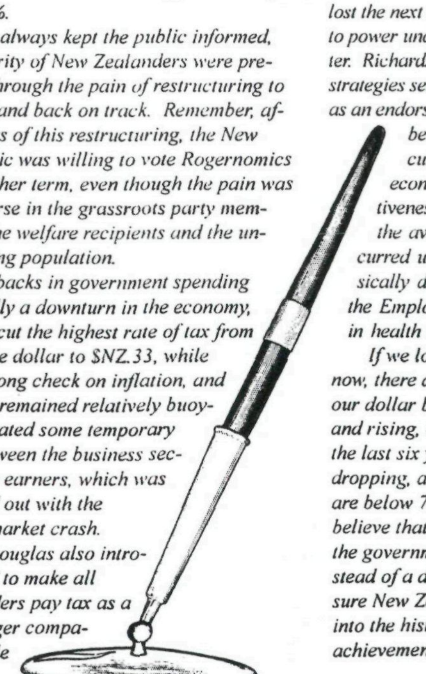
I am a New Zealander who has been a small business operator there from 1981 to 1993, and have leased the business so that I can study at McMaster University, Hamilton, Ont. Therefore my company lived and survived through Rogernomics and the following governments.

When Roger Douglas became finance minister, New Zealand was on the verge of bankruptcy. He was most probably tempted to borrow but fortunately he couldn't. In his first year when the New Zealand dollar was floated, it was worth $US.46 and approximately $CAN.56. Inflation was around 1% per year and interest rates for business loans were 17% with an extra 1% on businesses whose overdraft went over their agreed limit -- yes, some businesses were paying in excess of 28% interest. Mortgage rates at the time were approximately 15.5% to 17%.

Douglas always kept the public informed, and the majority of New Zealanders were prepared to go through the pain of restructuring to get New Zealand back on track. Remember, after three years of this restructuring, the New Zealand public was willing to vote Rogernomics back for another term, even though the pain was being felt worse in the grassroots party members, being the welfare recipients and the unskilled working population.

With cutbacks in government spending there is usually a downturn in the economy, but Douglas cut the highest rate of tax from $NZ.66 on the dollar to $NZ.33, while keeping a strong check on inflation, and the economy remained relatively buoyant. This created some temporary disparity between the business sector and wage earners, which was soon levelled out with the 1987 share market crash.

Roger Douglas also introduced a GST to make all New Zealanders pay tax as a lot of the larger companies were able to avoid tax through the many loopholes that existed at the time. His idea of GST was to implement it along with a reduction in income tax.



He introduced a Christmas package in 1987, which reduced all income tax to a maximum of $NZ.26 on the dollar with 10% GST on all goods and services with a few exceptions such as rent and mortgages.

This policy has since been bastardized by governments in New Zealand and Canada.

Although Douglas had inflation below 10%, with all economic indications for it to drop even further, the banks at the same time ran average mortgage interest rates at 18% to 21%. At the same time he was going to introduce a policy that would in effect reduce the power of the unions -- immediately after that statement his career as finance minister was ended. Remember, he was never voted out by the public.

He was dropped by his own Labour party that had strong union affiliation.

This backfired on the Labour party as they lost the next election and the National Party came to power under Ruth Richardson as finance minister. Richardson continued the same economic strategies set up by Douglas, which could be seen as an endorsement of his policies. The exception being that they were even more quick to cut spending in their rush to get the economy fast tracked to world competitiveness. This created far more pain for the average New Zealander than ever occurred under Rogernomics. Unions were basically deregulated with the introduction of the Employment Contracts Act, as well as cuts in health and education.

If we look at the New Zealand economy now, there are some good indicators such as: our dollar being worth $CAN.86 and $US.61 and rising, our inflation has been below 2% for the last six years, unemployment is at 8% and dropping, and interest rates for home mortgages are below 7% and dropping. I was also led to believe that, for the first time in over 20 years, the government announced a cash surplus instead of a deficit for the last financial year. I'm sure New Zealanders will be able to look back into the history books with pride in their achievement in the era of Rogernomics.

Michael C. Harnett, Edmonton

New Zealand - One year later by Peter Holle

Lessons for Canadian taxpayers from New Zealand

Cutting the costs of...

Government departments

- New Zealand (NZ) holds government departments accountable for the resources they use. Private sector accounting and staffing practices are used to measure performance.
- Departments must precisely define what they do, and how much it will cost. Managers must choose between "providing" a service in house or buying it from outside suppliers. The threat of buying from the outside, puts pressure on the department to become more efficient.
- Managers are free to hire and fire like private sector managers.
- NZ has systems which measure how efficiently departments provide services and manage assets.
- NZ government departments buy and sell assets within limits, which encourages them to dispose of land and assets that don't generate a return. Central agencies like the State Services Commission (Public Service Commission in Canada) and Treasury no longer get deeply involved in the affairs of departments and agencies. As a result, they now require less staff.

Municipal government

- NZ legislation requires local governments to reorganize services like garbage collection and mass transit into businesses. These must compete with private companies for service contracts. The competition forced prices down, and saved city taxpayers 20% to 30%.

Farm programs

- NZ could no longer support farm prices. Instead, it helps farmers with policies that cut costs and control inflation. When the government was forced to cut subsidies, farm costs fell, and farmers diversified into other activities.
- NZ cut transport costs for farmers by deregulating its ports, railways, and road transport system.
- Farm costs were further lowered by the winding down/eliminating of tariffs on agricultural machinery and other inputs.
- NZ downsized its agriculture department, and what was left had to compete for business with private sector consultants.

Economic development spending

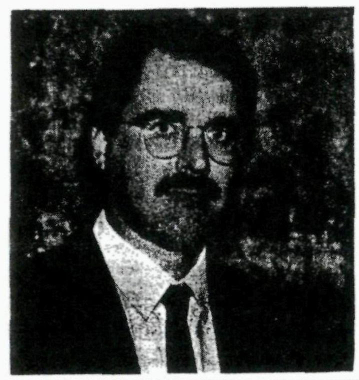
- The government is now completely out of the incentives, grants, and business handout game.
- The country attracts investment by having a favourable business environment.

Crown corporations

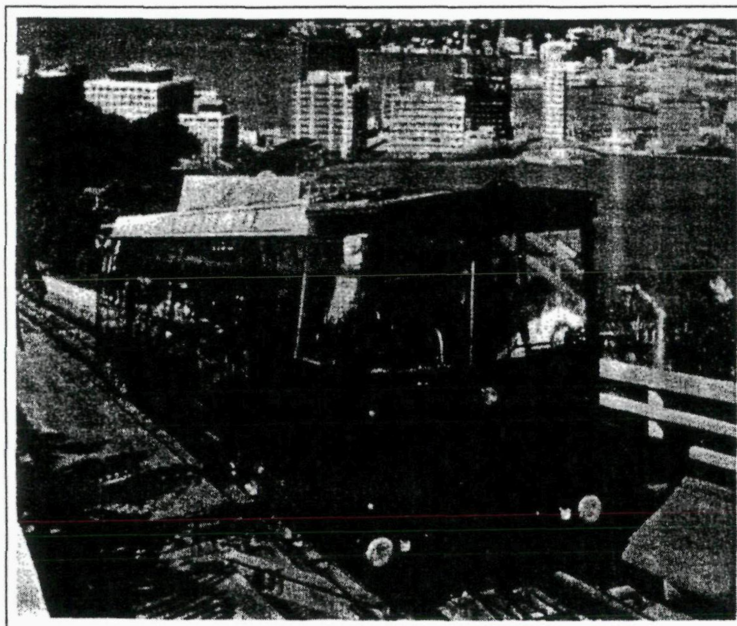
- NZ eliminated huge subsidies that were propping up overstaffed and inefficient government enterprises, by privatizing state-owned enterprise where possible.
- This lowered NZ's debt, lowered prices, improved service, encouraged new technology and made the economy attractive to investors. New investment is creating unsubsidized jobs to replace the subsidized jobs lost when the government privatized various enterprises.
- Government-owned enterprises are now required to pay their "fair share" of taxes and interest on the capital invested in them, and receive no subsidies.

Health care

- Hospitals contracted-out catering, cleaning, laundry, and printing services previously done by hospital staff. This reduced costs by 20%.
- Various other activities including grounds maintenance, engineering, and payroll services at hospitals were restructured, reducing labour costs by 30% to 60%.
- New Zealand is trying to control health care costs by introducing competition into health services. Independent boards now purchase health care services from the marketplace. Hospitals are now required to operate using business methods and must compete with the private sector for state contracts.



Peter Holle - Provincial Director of the Association of Manitoba Taxpayers.



The City of Wellington sold its bus and trolley system for $6.5 million. It now contracts out the service and saves 20% over the cost of the previous government-run system.

New Zealand sells off

In an effort to reduce government costs and pay down the debt, the New Zealand government sold off a number of inefficient government-owned businesses that were siphoning off cash, necessary to provide essential services.

Date	Asset	Buyer	in Millions
Oct 1987	NZ Steel	Equiticorp	$377.2
March 1988	Petrocorp	Fletcher Challenge	$801.2
June 1988	DFC	Nat Prov Fund/ Saloman Brothers	$111.3
Oct 1988	Health Computing	Paxus Info Services	$4.3
Dec 1988	Postbank	ANZ	$678.5
Dec 1988	Air NZ	Brierley, Qantas, JAL/ American Airlines	$660.0
March 1989	Shipping Corp	ACT (NZ)	$33.5
1989-90	Landcorp Mort	Mortgagers	$77.0
Aug 1989	Rural Bank	Fletcher Challenge	$687.5
Dec 1989	Communicate NZ	DAC Group	$0.6
Jan 1990	Gov't Printing	Office Rank Group & others	$38.6
March 1990	National Film Unit	TVNZ	$2.5
May 1990	State Insurance Office	Norwich Union	$735.0
June 1990	Tourist Hotel Corp.	South Pacific Hotel Corp.	$73.9
June 1990	Telecom	Ameritech/Bell Atlantic	$4,250.0
July 1990	Maui Gas	Patralgas	$254.0
1990 - 92	Synfuels	Fletcher Challenge	$161.7
July 1990	NZ Liquid Fuel	Fletcher Challenge Invest.	-$203.0
Sept 1990	Export Guarantee	Office State Insurance	$17.8
June 1991	Gov't Supply Brokerage	Prof Service Brokers	$3.2
1991 - 93	Housing Corp Mortgages	TSB, Postbank, Tower	$904.0
1992 - 93	Petroleum Mining	Petrocorp, Southern Licences Petroleum, Nameco, etc.	$121.1
July 1992	BNZ	National Australia Bank	$850.0
May 1992	NZ Timberlands	ITT Rayonier	$366.0
1990 - 93	Forest Cutting Rights	Various	$1,027.1
July 1993	NZ Rail	Wisconsin Central	$328

Source: Wellington Evening Post - in New Zealand dollars

New Zealand - One year later by Peter Holle

New Zealand cities shop around

This past June, Manitoba hosted over 600 mayors, councillors, and city and town managers from municipal governments across Canada for the Federation of Canadian Municipalities' annual conference.

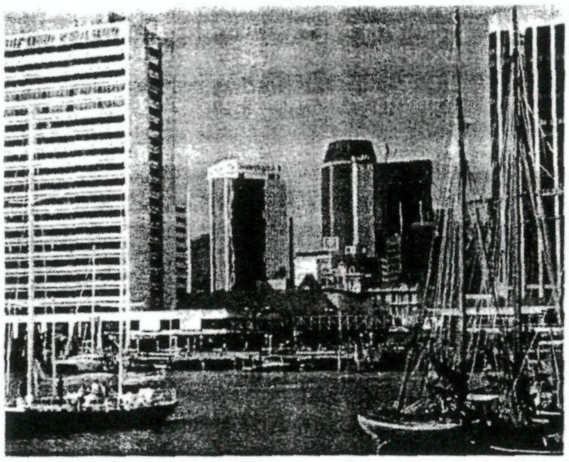
The theme was the "Cost Conscious Community", and the conference program listed such topics as using private capital to build public facilities, amalgamating local governments, and joint purchasing of goods to save money. One of the speakers was Bob Vine, the former city manager of Lower Hutt,a suburb of Wellington, New Zealand.

The conference program stated: "Approaching bankruptcy, the government of NZ reacted forcefully by reordering public life. In two short years it reduced the number of municipalities from 400 to 82. It changed the way government functioned and reinvented public service."

Vine described how his community was restructured. In 1989, for instance, five municipalities in his area merged into one. The new entity downsized staff from 1, 000 to 650 (a drop of 35%) using severance packages and a "no-replacement" policy (no new hiring) to ease the transition.

In Lower Hutt, the Works Department has become a profit-making, taxpaying business. The Parks Department is now run along business lines, as is the bus company.

The bus company in his community is about to be sold and the city council expects to get close to $2 million for it. The council's attitude was why should they run a bus business when the commercial sector can run it cheaper and better?



Property taxes in New Zealand are falling according to a Statistics New Zealand report issued on July 27, 1994. Fewer government employees and lower debt servicing costs pushed government operating expenditures down by 1% to $2.74 billion in the year ending June 1993. The agency surveyed 96 local governments.

NZ's new municipal legislation mirrors the changes at the national level. City services have been organized into business units called Local Authority Trading Enterprises (LATEs). LATEs pay taxes, borrow money at commercial rates, and compete with private businesses to deliver services. If LATEs can't compete they disappear.

Their employees quickly adjusted to the new reality and accepted a 20% cut in wages and benefits. Otherwise the work would have gone to private firms and they would have lost their jobs.

Many cities are in fact selling their LATES, as governments realize services can be provided more efficiently by the private sector.

NZ's local governments have become efficient, competitive, and customer-oriented. Council sets the level and quality of service citizens receive, and management implements it as efficiently as possible by buying the best services at the lowest price.

Since the legislation allows measurement and comparison of service costs between LATEs and other suppliers, city managers can objectively "buy" the best deal for the taxpayer. Vine said, "We are neutral about who provides the service. We now shop around."

The distinction between principle and practice is clear. Politicians are concerned with the ends, and managers are concerned with the means. Roles are clear.

NZ just recorded its first government surplus in 17 years - $422 million. The country has the highest growth rate in the OECD countries (5%). Investment and exports are booming. The NZ dollar is rising. Unemployment is falling. When will Canada's politicians wake up?

There is life after subsidies

New Zealand (NZ) farmers have operated without government subsidies for 10 years. Since then, farm attitudes have radically changed. The NZ experience shows that farming can survive without government subsidies.

This is encouraging news for Canadian farmers since the "GATT Uruguay Round Agreement" requires the government to cut support for farmers by up to 20% over six years.

Mr. Graham Robertson, president of the Federated Farmers of NZ, the national farmers' organization, made the following observations to a *Financial Times* reporter:

- *NZ is an agricultural powerhouse. It exports 50% of the world's trade in sheep meat. Agricultural produce accounts for 60% of exports, and farming and agri-business employ 11% of the workforce.*
- *The Labour government withdrew farm subsidies, which accounted for nearly 40% of farmers' gross income, in 1984. The consequences, exacerbated by deep recession, were painful in the short term, though less so than expected.*
- *About 800 farms, or 1% of the total, failed, against predictions that 8,000 would go under. Farmers leaving the land were given an "exit grant" equivalent to about two-thirds of their annual income.*
- *The number of full-time farm workers fell from about 22,800 in 1984 to 19,600 in 1987. The number has since jumped to 39,300 in 1991.*
- *The withdrawal of subsidies, coupled with labour deregulation, pushed down farm costs. Stripping out interest rate cuts, net costs to sheep farmers had risen by only 1.2 to 1.5% a year in the past three years.*
- *Meanwhile, prices for produce rose. Last season farmers earned NZ$35-NZ$45 for a 13.5 kg lamb carcass, compared with NZ$18-NZ$20 in the mid-1980s. The improvement had come mainly from more efficient processing and better marketing.*
- *Subsidies had encouraged production on unstable hill country. "One of the consequences of the withdrawal of support is that agriculture has intensified on the better land and the higher hills have now been planted with trees."*
- *Sectors, such as dairying, fared better than others. Agricultural supply industries which had "a blowtorch put on them" are now operating more efficiently.*
- *Meat processing, once heavily regulated and licensed, had found adaptation hard. But it moved from being the least efficient national meat industry in the world to the second most efficient.*

(Source: Financial Times, April 20)

A NZ farmer made these points: In 1985 he paid 24% interest on his borrowed money and received $7 a lamb. This year he's looking at up to $45 a lamb and 8.5% interest. He also said, between 1975 and 1984, more woolsheds were built in his district than over the previous 100 years.

Federal government spending for 1994-95

The following is a breakdown of federal government spending by department for 1994-95. Source: Federal Estimates

	Personnel costs	Operating expenses[1]	Construction & acquisition[2]	Transfers and grants[3]	Other subsidies and payments	Less revenues credited to vote[4]	Total net expenditures
Agriculture and Agri-Food							
Agriculture	$599,178,000	$170,254,000	$97,754,000	$1,249,099,000	$1,147,000	$46,910,000	$2,070,522,000
Canadian Dairy Commission					2,540,000		2,540,000
Atlantic Canada Opportunities Agency							
Department	23,258,000	22,397,000	592,000	329,021,000	325,000		375,593,000
Enterprise Cape Breton Corp.					10,362,000		10,362,000
Canadian Heritage							
Communications	287,705,000	170,045,000	73,913,000	555,912,000	79,054,000	38,285,000	1,128,344,000
Advisory Council on the Status of Women	2,098,000	1,155,000	20,000				3,273,000
Canada Council					98,421,000		98,421,000
Canadian Broadcasting Corporation					1,091,086,000		1,091,086,000
Canadian Film Development Corp.					122,342,000		122,342,000
Canadian Museum of Civilization					38,126,000		38,126,000
Canadian Museum of Nature					18,136,000		18,136,000
Canadian Radio-television & Telecommunications Commission	26,147,000	6,673,000	627,000		1,000	11,968,000	21,480,000
National Archives of Canada	37,866,000	13,738,000	4,838,000	2,520,000	473,000		59,435,000
National Arts Centre Corporation					21,676,000		21,676,000
National Battlefields Commission	1,469,000	927,000	105,000		2,400,000		4,901,000
National Capital Commission					89,770,000		89,770,000
National Film Board	47,609,000	36,053,000	5,813,000	378,000	200,000	8,400,000	81,653,000
National Art Gallery of Canada					27,680,000		27,680,000
National Library	22,567,000	12,720,000	1,463,000	430,000	113,000		37,293,000
National Museum of Science & Technology					15,392,000		15,392,000
Public Service Commission	110,026,000	30,722,000	2,185,000		2,770,000	16,608,000	129,095,000
Status of Women/ Office of the Co-ordinator	3,104,000	1,531,000	36,000	50,000			4,721,000
Citizenship and Immigration							
Secretary of State	214,881,000	87,534,000	11,586,000	265,335,000	1,921,000		581,257,000
Immigration and Refugee Board	65,446,000	15,455,000	1,137,000		25,000		82,063,000
Environment							
Department	343,679,000	291,351,000	74,659,000	61,837,000	3,046,000	37,534,000	737,038,000
Finance							
Department	45,514,000	63,728,000	864,000	8,773,280,000	10,000	4,507,000	8,878,889,000
Public Debt Charges[5]					41,000,000,000		41,000,000,000
Auditor General	40,347,000	14,375,000	1,360,000	454,000	20,000		56,556,000
Canadian International Trade Tribunal	6,484,000	1,088,000	12,000		4,000		7,588,000
Federal Office of Regional Development	16,952,000	8,503,000		411,580,000	45,000		437,080,000
Superintendent of Financial Institutions	27,936,000	14,971,000	459,000		31,000	40,892,000	2,505,000
Procurement Review Board	523,000	112,000	10,000				645,000
Fisheries and Oceans							
Department	330,899,000	246,726,000	101,057,000	84,342,000	12,129,000		775,153,000
Foreign Affairs and International Trade							
External Affairs	453,487,000	431,178,000	109,066,000	460,530,000	4,099,000	49,881,000	1,408,479,000
Canadian International Development Agency	81,302,000	35,970,000	1,928,000	1,907,900,000			2,027,100,000
Canadian Secretariat	782,000	1,386,000	51,000				2,219,000
Export Development Corporation					185,000,000		185,000,000
International Research Centre					112,100,000		112,100,000
International Joint Commission	2,612,000	1,854,000	30,000		4,000		4,500,000
Governor General	6,174,000	3,483,000	400,000	268,000			10,325,000
Health							
National Health and Welfare	344,107,000	657,721,000	69,580,000	7,124,797,000	1,302,000	19,271,000	8,178,236,000
Hazardous Material Info Review Commission	984,000	382,000	15,000				1,381,000
Medical Research Council	4,196,000	3,389,000	103,000	240,265,000			247,953,000
Patented Medicines Prices Review Board	2,269,000	1,079,000	22,000		1,000		3,371,000

	Personnel costs	Operating expenses[1]	Construction & acquisitions[2]	Transfers & grants[3]	Other subsidies and payments	Less revenues credited to vote[4]	Total net expenditures
Human Resources Development							
Employment and Immigration	1,281,124,000	574,367,000	22,071,000	32,325,600,000	2,593,000	1,377,770,000	32,827,985,000
Canada Labour Relations Board	7,013,000	2,126,000	24,000		15,000		9,178,000
Centre for Occupational Health and Safety	4,954,000	1,712,000	200,000			4,441,000	2,425,000
Indian Affairs and Northern Development							
Department	202,395,000	135,572,000	6,522,000	4,576,217,000	32,238,000		4,952,944,000
Canadian Polar Commission	417,000	644,000		22,000			1,083,000
Industry							
Industry, Science and Technology and Consumer and Corporate Affairs	307,602,000	160,951,000	102,700,000	761,350,000	3,494,000	7,082,000	1,329,015,000
Canadian Space Agency	26,027,000	42,482,000	224,997,000	27,290,000	238,000	5,500,000	315,534,000
Canadian Breton Development Corp.					25,430,000		25,430,000
Competition Tribunal	698,000	878,000	25,000				1,601,000
Copyright Board	681,000	258,000	25,000		1,000		965,000
Federal Business Development Bank					14,470,000		14,470,000
National Research Council of Canada	185,354,000	98,707,000	49,919,000	130,709,000	1,422,000	33,253,000	432,858,000
National Sciences & Engineering Research Council	9,597,000	6,599,000	717,000	456,781,000			473,694,000
Social Sciences & Humanities Research Council	5,450,000	2,546,000	301,000	92,822,000			101,119,000
Standards Council of Canada					5,426,000		5,426,000
Statistics Canada	251,488,000	52,620,000	3,407,000	12,000		24,986,000	282,541,000
Justice							
Department	135,577,000	31,094,000	14,116,000	265,591,000			446,378,000
Canadian Human Rights Commission	12,175,000	4,555,000	208,000		1,000		16,939,000
Commissioner for Federal Justice Affairs	158,875,000	11,385,000	152,000	35,856,000	2,153,000		208,421,000
Federal Court of Canada	13,970,000	5,290,000	84,000		3,000		19,347,000
Information & Privacy Commissioners	5,565,000	774,000	73,000		10,000		6,422,000
Supreme Court of Canada	9,439,000	4,918,000	961,000	1,372,000			16,690,000
Tax Court of Canada	6,472,000	3,444,000	180,000		1,000		10,097,000
National Defence							
Department	5,461,662,000	3,497,774,000	2,689,439,000	219,808,000	40,871,000	364,554,000	11,545,000,000
Emergency Preparedness Canada	5,832,000	5,312,000	921,000	6,274,000			18,339,000
National Revenue							
Customs and Excise	652,477,000	169,964,000	24,195,000	75,165,000	296,000		922,097,000
Taxation	1,109,509,000	238,901,000	38,451,000		225,000	102,011,000	1,285,075,000
Natural Resources							
Energy, Mines and Resources and Energy	314,628,000	218,240,000	65,815,000	417,971,000	250,000	4,817,000	1,012,087,000
Atomic Energy Control Board	28,573,000	11,283,000	795,000	1,166,000	1,000		41,818,000
Atomic Energy of Canada Ltd.					174,120,000		174,120,000
National Energy Board	22,771,000	7,360,000	585,000		150,000		30,866,000
Northern Pipeline Agency	127,000	120,000			3,000		250,000
Parliament							
The Senate	29,327,000	11,436,000	454,000	797,000			42,014,000
House of Commons	175,582,000	57,348,000	4,413,000	996,000	111,000		238,450,000
Library of Parliament	13,614,000	2,269,000	198,000		1,000		16,082,000
Privy Council							
Department	37,583,000	16,290,000	2,848,000	2,488,000	11,544,000		70,753,000
Canadian Centre for Management Development	6,712,000	3,291,000	824,000	225,000	5,000		11,057,000
Canadian Intergovernmental Conference Secretariat	1,690,000	1,173,000	15,000				2,878,000
Canadian Transportation Accident Investigation and Safety Board	19,733,000	5,260,000	1,317,000		39,000		26,349,000
Chief Electoral Officer	3,103,000	50,000	2,000		39,150,000		42,305,000
Commissioner of Official Languages	9,216,000	2,500,000	124,000				11,840,000
Public Service Staff Relations Board	4,518,000	1,184,000	91,000		250,000		6,043,000
Security Intelligence Review Committee	807,000	593,000	9,000				1,409,000
Public Works and Government Services							
Public Works and Supply and Services	976,899,000	3,688,704,000	724,411,000	426,475,000	737,770,000	4,248,251,000	2,306,008,000
Canada Mortgage and Housing Corp.					2,131,021,000		2,131,021,000
Canada Post Corporation					14,000,000		14,000,000

	personnel costs	Operating expenses[1]	Construction & acquisition[2]	Transfers & grants[3]	Other subsidies and payments	Less revenues credited to vote[4]	Total net expenditures
Public Works continued							
Canadian Commercial Corporation					13,170,000		13,170,000
Solicitor General							
Department	17,289,000	10,047,000	395,000	52,673,000	320,000		80,084,000
Canadian Security Intelligence Service					206,834,000		206,834,000
Correctional Service	567,770,000	345,011,000	156,135,000	1,230,000	23,224,000	67,044,000	1,026,326,000
National Parole Board	21,314,000	4,367,000	74,000		5,000		25,760,000
Office of the Correctional Investigator	1,092,000	166,000	16,000				1,274,000
Royal Canadian Mounted Police	1,357,616,000	340,740,000	137,562,000	44,382,000	34,774,000	718,526,000	1,196,548,000
RCMP External Review Committee	341,000	330,000	30,000				701,000
RCMP Public Complaints Commission	1,992,000	1,636,000	80,000				3,708,000
Transport							
Department	1,148,821,000	460,811,000	516,165,000	310,052,000	507,982,000	931,165,000	2,012,666,000
Civil Aviation Tribunal	546,000	344,000					890,000
Grain Transportation Agency Administrator	1,620,000	1,116,000	8,511,000	3,485,000	1,000		14,733,000
National Transportation Agency	26,924,000	5,060,000	613,000	790,120,000	6,000		822,723,000
Treasury Board							
Secretariat	832,181,000	18,951,000	893,000	503,000	454,682,000	67,875,000	1,239,335,000
Veterans Affairs	165,245,000	389,646,000	3,228,000	1,528,460,000	1,703,000		2,088,282,000
Western Economic Diversification	19,321,000	11,973,000	603,000	420,311,000			452,208,000
Total all departments and agencies	18,810,909,000	13,016,672,000	5,365,579,000	64,444,201,000	47,421,114,000	8,231,531,000	140,826,944,000
Consolidated specific purpose accounts				20,417,000,000		506,000,000	19,911,000,000
Total Main Estimates	18,810,909,000	13,016,672,000	5,365,579,000	84,861,201,000	47,421,114,000	8,737,531,000	160,737,944,000

Footnotes:

1) Operating Costs: includes transportation and communications, information, professional and special services, rentals, purchased repair and maintenance, utilities, materials and supplies. 2) Construction/Acquisition: includes construction and/or acquisition of land, buildings, works, machinery, and equipment. 3) Transfers and Grants: includes grants, contributions or other transfer payments to persons, businesses, Crown corporations, other levels of government, and other countries, for which no goods or services are received. Grants are unconditional and are not subject to audits, whereas contributions are. As well, contributions are subject to terms and conditions governing the payment. Other transfer payments are based on legislation, or an arrangement, which normally include a formula or schedule of payment. The recipient may distribute those funds among several different areas. 4) Revenues credited to the vote: includes rent received on government-owned buildings and equipment, receipts from the provision of police services to other governments, recovery of costs from provincial governments, other national governments and other departments and agencies. 5) Public Debt Charges: the cost to Canadians of servicing our national debt; equals only payments on interest.

Destroying the hope of future generations

By Bob Matheson

Is living on borrowed money and then expecting - actually forcing - other people to pay the bill, not completely immoral?

Yet, this is exactly what our governments have been doing from the early 1970s up to the present time.

In 1970, Canadians saw their last balanced budget. From that point on the federal government embarked on an agenda which utilized deficit financing as a "legitimate" way to provide Canadians with new, extravagant, and unsustainable social policies. These have only been maintained by greater and greater borrowing, and all politicians since that time have carried on the tradition, both federally and provincially. Only recently have we seen genuine attempts to steer our ship of state back on course.

Policies from that period, such as bilingualism, biculturalism and the national energy policy, have not only cost billions of dollars, but have been some of the major causes of the near political collapse of our present federal system.

It can be argued that the activities and directions of that time, have resulted in moral, political and legal problems that stem from an increasingly prevalent "welfare mentality." But, regardless of their importance or legitimacy, there can be little doubt that the greatest tragedy has been the saddling of future generations with an almost incomprehensible level of debt.

Overspending and deficit financing did create a more pleasant lifestyle for the present generations. And, it probably created a longer political life for the many politicians who continued to provide us with this unsustainable standard of living. However, this was done at the expense of future generations.

Twenty plus years of spending taxpayers' dollars like sailors on leave has meant that today the signs are all pointing towards a complete collapse of our economy, as well as of our social and political structures. This is largely because we carry such an enormous debt load. Another major factor is the political uncertainty regarding Quebec.

When the Constitution was brought home to Canada in 1982, Quebec did not sign, and as a result has stayed outside the constitutional fold. Costly attempts such as the Meech Lake Accord and the Charlottetown Accord have been unable to find the consensus that would re-unite Canada. Relations are at a critical level, and Canada's structural future, in many ways, is going to be largely decided by the election in Quebec this fall.

This instability, combined with the debt, is causing investors to consider Canada an unstable environment for their investments. In order to protect themselves, they are demanding foreign currency for their investments. It causes an upward spiral in our level of debt - or rather in the level of debt that our children and grandchildren must find a way to pay for.

Therefore, Canadians must act immediately and develop a strategy to take the onus off future generations, and bear at least a portion of the responsibility for the crisis we have created.

Bob Matheson is Chairman of the Governing Board of the CTF. He resides in Edmonton, Alberta.

It's his future too.

The calm before the storm

By Brent Clews

The massive liquidation of Canadian bonds by foreign investors that began in the spring has slowed to a trickle, resulting in huge sighs of relief on Parliament Hill and provincial legislatures.

But, is this the calm before the real storm hits? A closer examination of the last six months indicates that all is not well within Canadian financial bond markets.

The foreign investors have been selling off their Canadian bonds for two main reasons -- rising interest rates and the declining Canadian dollar.

Rising interest rates

Comparing today's prices of Canada's long bonds to six months ago, we find they have declined in price by some 25%. This happened because "long" interest rates have risen from about 7% in February to 9.5% in July. Who wants bonds earning 7% when they could get bonds earning 9.5%?

In order to resell these bonds, the investors, quite literally, must put them "on sale" to entice buyers.

For example, a $1,000 G.I.C. with a 5 year term and paying 8% interest, would have to drop in value to about $950 to give an income of 9%.

When these bonds are resold, the federal government is in the position of literally competing with its old bonds, in order to borrow money for its current deficit.

Falling Canadian dollar

However, perhaps the biggest reason for the sell-off was the declining value of the Canadian dollar. Over the last six months our loonie dropped from about 75.7 cents to 73.2 cents compared to the U.S. dollar, a decline of 3.5%. An American investor with $100,000 in Canadian bonds in Canadian dollars lost about $2500 (US).

The Canadian dollar fell even more compared to the German Mark and the Japanese Yen, which caused many of these investors to sell their Canadian bonds in order to cut their losses. Asian and European lenders that sold their Canadian bonds in the spring, saved about 38.5% on their money - 25% in price and 13.5% in foreign exchange.

Many investors still holding Canadian bonds denominated in Canadian dollars are either waiting for an improvement in the bond market, or in the currency market, before they dump what Canadian securities they have left.

Ominous new trend

As a result, an ominous new trend has started within the last two months (June and July). A number of foreign investors will now only buy Canadian government bonds denominated in foreign currency. Consequently, if the Canadian dollar falls, it will be our governments that lose on the exchange, not the investors.

For example, the federal government borrowed $2 billion U.S. ($2.77 billion Cdn.); British Columbia borrowed 80 billion Yen ($1.1 billion Cdn.); and Ontario borrowed 110 billion Yen ($1.5 billion Cdn.).

Because, these bonds are denominated in foreign currency, their general interest rates are below those found in our domestic market. Foreign investors are willing to buy Canadian bonds at lower interest rates provided they are protected from losing money due to a falling Canadian dollar.

Though these Canadian governments got lower interest rates, they could face huge exchange rate losses if no provision is made to hedge the foreign exchange risk. Foreign lenders are now reluctant to undertake the risk themselves, leaving it ultimately with the taxpayers. Any further deterioration of the Canadian dollar will continue to force up the cost of borrowing.

Borrowing increasingly larger amounts of money, at higher levels of interest and/or in foreign currencies is a little like pouring gasoline on a fire to extinguish the flames. The higher cost of money has already knocked the February federal budget forecast off target as interest rates were expected to be below 7%.

The respected Montreal-based International Bank Credit Analyst has recently released a report warning that "Canada's debt burdens have reached the explosive stage, and a major financial crisis could hit at any time."

Government spending must be curtailed to reduce the deficit and allay fears of financial market participants. Only then will both domestic and foreign investors feel secure in investing in Canada.

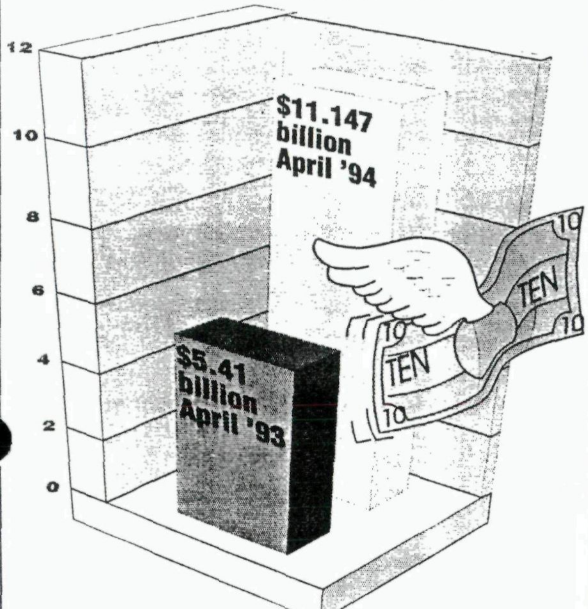
Brent Clews works for a bond trading company in Ontario. He is on the Advisory Council of the Ontario Taxpayers Federation.

"Canada's debt burden has reached the explosive stage, and a major financial crisis could hit at any time."

- The respected Montreal-based International Bank Credit Analyst.

The growth of Canadian debt held in foreign currency

in billions of $ - Source: Dept. of Finance



So which is the banana republic?

The following is an ad recently published in one of Canada's national newspapers.

ARGENTINA

Yielding 10-12% in US$

SERIES L, FLOATING RATE BONDS

If you still view Argentina as a banana republic, you're mistaken. Just look at these numbers: Argentina's public debt to GDP ratio is 26% vs Canada's 42%; its budget surplus (yes, surplus) equal to 1.9% of GDP compares favourably with any OECD country and, Argentina's economy is expected to grow 5% this year.

Now, will you agree with us that its floating rate bonds, yielding 10-12% in US Dollars, are an outstanding bargain?

Note: When you include the total liabilities of the federal, provincial and local governments, Canada's all-government debt to GDP ratio is closer to 105%. This doesn't include the huge CPP liability. The company's name has been omitted.

Another debt downgrade for Canada

In what's starting to become an annoying trend, a New York-based, bond rating service has announced another downgrade of Canadian bonds.

Moody's Investors Service downgraded the bonds held by the federal government and federal Crowns in foreign currency from Aaa to Aa1. The downgrade affects about $11.1 billion federal debt and another $10 billion in Crown debt (i.e. CMHC, the Canadian Wheat Board, etc.).

It reflects an increasing concern about Canada's fiscal condition and will force the federal government to increase interest rates in order to entice investors to lend it money.

Of particular concern to Moody's was the high debt load of the various levels of government, and the fact that an increasing number of those holding bonds are foreigners.

Although the downgrade only affects a small portion of Canada's federal debt, it does send an ominous warning for the future as our foreign currency debt doubled over last year.

Bad business loans in other countries

Canadians could lose more than $5 billion if the World Bank should default on its $143 billion of loans. Although this hasn't happened yet, Canada's Auditor General, Denis Desautel, warns the possibility exists because of the risky nature of the loans.

In 1992, Desautels referred to figures which show 37% of the World Bank's loan portfolio as "high risk". Loans to countries with histories of rescheduling totalled nearly 50% of the Bank's portfolio.

The World Bank, headquartered in Washington, D.C., was set up in 1944 to help reconstruct economies battered by World War II. Since that time, its focus has changed to fund projects in Third World nations.

Funding for the World Bank is obtained through its member or subscribing countries. Canada, with 3% of the shares, pays a net subscription of $387 million, and has a further $4.713 billion in callable capital subscriptions, which are a promise to pay if necessary. Although subscriptions are supposed to be based on the size of a country's economy and willingness to pay, Canada had the smallest economy of the G-7 countries in 1991, but paid the highest per capita subscription.

The Auditor General noted Canada, considered a wealthy nation, is under pressure to increase its annual subscription and guarantees.

While on the surface the World Bank has a high credit rating, that is largely due to the strong economies of the countries guaranteeing the debt, not the actual performance of the Bank. Desautels says this is because Third World debtors have often received help to service their debts with the World Bank.

It appears the problems of the World Bank are linked to the projects it is financing. A report leaked to Probe International, a Toronto-based research organization, states that "the quality of the portfolio has deteriorated significantly" with the number of failed projects increasing from 13% to 35% in the 1980s. At the same time, the number of projects considered in severe trouble increased from 10% to 17%. This puts over 50% of the projects in the "failed" or "in trouble" categories. The report described the loan deterioration as steady and pervasive.

This comes at a time when the World Bank is faced with increased criticism for projects undertaken. According to Probe International, the Bank spent $500 million in Brazil building a road into the rainforest, which destroyed an area so large that it can be seen from space.

In 1993, after lending $280 million, the World Bank pulled out of India's Narmada Dams project which threatened to flood out 240,000 people. The pullout followed the launch of an unprecedented international campaign to cut off the World Bank's sources of funding.

Canadian taxpayers are on the hook for risky loans made by the World Bank, which our Federal government has so graciously guaranteed. Above: World Bank, Washington, D.C.

Upcoming taxpayer conferences

"Building the local taxpayers movement"

A conference for

Western ratepayer groups

Monday, Oct. 24, 1994 - 10:00am-6:00pm
Holiday Inn, Red Deer, Alberta

Sessions will include:

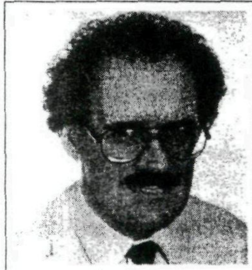
- *Structuring a ratepayers group for success*
- *Communicating with your members and the local media*
- *Empowering taxpayers: Direct democracy at the municipal level*
- *The new Alberta Municipal Government Act: What does it mean for taxpayers?*
- *Efficient delivery of municipal services.*
- *Property tax assessment: Does the system work?*
- *Understanding and influencing the municipal budget process.*

Keynote speakers will include:

- *Hon. Steve West, Alberta Minister of Municipal Affairs*
- *Andre Carrel, Administrator, City of Rossland, B.C.; leading expert on direct democracy*
- *Charles Bens, author & consultant on municipal government issues*
- *Jason Kenney, Executive Director, Canadian Taxpayers Federation*

For registration information call:

1-800-661-0187



Charles Bens

Andre Carrel

Jason Kenney

"Doing more with less: changing the business of municipal government"

A conference for

Ontario property taxpayers and municipal officials

Saturday, Oct. 22, 1994 - 10:00 am-6:00 pm
Toronto, Ontario

Sessions will include:

- *How municipalities can deliver better services at lower cost*
- *Provincial transfer payments to municipalities*
- *Disentanglement of services*
- *Structuring a ratepayers group for success*
- *Communicating with taxpayers and the local media*
- *Provincial government's role in property & municipal tax issues*
- *Empowering taxpayers: Direct democracy at the municipal level*

Keynote speakers will include:

- *Linda Leatherdale, Business Editor, The Toronto Sun*
- *Andre Carrel, Administrator, City of Rossland, B.C.; leading expert on direct democracy*
- *Charles Bens, author & consultant on municipal government issues*
- *Jason Kenney, Executive Director, Canadian Taxpayers Federation*

For registration information call:

1-800-265-0442

The Taxpayers Protection Act of Ontario

by Paul Pagnuelo

On May 4, 1994 at Queen's Park, the Ontario Taxpayers Federation (OTF) unveiled a potential saviour to provincial taxpayers - The Taxpayers Protection Act of Ontario (TPAO).

The constant promises by politicians of balanced budgets, deficit reduction, no more taxes, and government accountability, all of which never materialize, have compelled the OTF to act. Instead of simply criticizing the fiscal quagmire the province is in, the Federation has created a viable alternative. The Taxpayers Protection Act is a 34 page proposal designed to show both the public, and the politicians of Ontario that the constant spend, borrow, and high tax policies of government don't work. To balance the budget, reduce the deficit, stop the tax grab, and create an accountable government system, Ontario taxpayers need legislative restraints on their politicians. The taxpayer must be the decision maker in the process, and this Act would make it possible.

The first part of the proposal requires, by way of legislation, that the Government of Ontario balance its budget, (operating and capital budget) by 1996/97, and every year thereafter. The proposal establishes a fiscal framework without telling the government how to balance the budget. However, new and increased taxes would be prohibited during the deficit elimination period.

Once the budget is balanced, it's time to attack the debt. The second part of the Act includes:

- *A tax cap. No new or increased taxes without a province wide binding referendum.*
- *A debt elimination period of 25 years (1997-2022).*

The proposal would also require:

- *Continual government reporting of progress in eliminating the deficit and repaying the debt.*
- *Financial penalties for the Premier and his/her Cabinet should they fail to meet the Act's requirements.*
- *Provisions for legitimate emergencies.*

On June 29, the Federation wrote all 130 MPPs requesting that they encourage their fellow members to endorse the OTF proposal. To date, no formal response on the position of each of the parties has been received from the leaders. You can help influence their decision by signing and returning the coupon located on page 3 of the Ontario section.

The Ontario section is published by the

Ontario Taxpayers Federation

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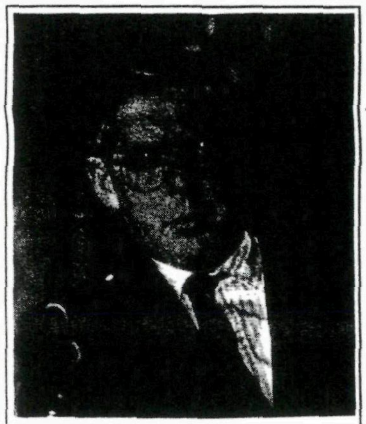
Provincial Director
Paul Pagnuelo

Where do the parties stand on deficits, spending and taxes?



Premier Bob Rae

Liberal Leader Lyn McLeod

P.C. Leader Mike Harris

The NDP

(Source: 1994 Ontario Budget)

- Balance the operating budget by 1998-1999 (not including capital).
- The 1994 Budget saw no new taxes or net increases.
- For the 1994-95 budget year (12 months), no health tax imposed on businesses that hire new employees.
- Plans to restructure Hydro and WCB.
- $1 billion to be spent on jobsOntario.
- Major highway and transit spending.
- Maintain government services at current levels.

The Liberals

(Source: 'The Liberal Plan', in response to the 1994 Ontario Budget)

- Reduce taxes by 5% over five years.
- Balance the operating budget (not including capital) by the end of the government's first mandate.
- Reduce paper burden by cutting the cost of doing business with government by 50%.
- Ensure the 'hidden' debt is exposed.
- Scrap the approximately $1.1 billion jobsOntario training program.
- Eliminate $65 million involved with: advocacy legislation , the NDP's Interim Waste Authority, and political staff.
- Eliminate the "job killing" section of Bill 40, Ontario's Labour Legislation.

The Progressive Conservatives

(Source: The Mike Harris Common Sense Revolution)

- Balance the budget in four years (operating/capital).
- Make Ontario's income tax rate the lowest in the country by cutting personal income tax rates by 30% over three years.
- Cut government spending by 20% in all non-priority areas over three years. (Exempt are health, in-class education, and law enforcement).
- Abolish Employer Health Tax for small business.
- 5% cut in WCB premiums.
- Five year freeze on Hydro rates.
- Repeal Bill 40 (Labour Legislation).
- Cut the number of MPPs from 130 to 99
- Delayer the bureaucracy, as well as sell off a number of government assets to pay down debt.
- Abolish MPP pensions and tax-free benefits. Pension plan will be replaced with a RRSP contribution.

Flirting with direct democracy in Lindsay, Ontario

Forward thinking Mayor initiates move to empower taxpayers

by Paul Pagnuelo

Citizens voting on civic issues? A government that listens to its citizens? Could it be?

Well, if Lindsay, Ontario mayor Max Radiff has his way, a version of direct democracy could be reality in the not too distant future.

The forward-thinking Lindsay mayor has proposed a model of government to his council similar to that of Rossland, B.C. -- a community nationally renowned for its citizen-based government.

In June 1991, Rossland enacted a bylaw known as the Municipal Constitution, which includes such principles as:

- The direct participation of citizens in the governance of the city.
- An opportunity for citizens to vote on bylaws initiated by city council.
- Citizens initiating their own legislation by collecting a petition containing 20% of the town's registered voters which in turn triggers a city-wide vote on the issue.
- Binding City council by the results of referendum votes and to hold referendums when successfully petitioned by the citizens (citizen initiatives).

So what are the odds that the model will take root in Lindsay? Right now, it's hard to say. Mayor Radiff has supplied his council with the Rossland information. He also is investigating the Provincial Municipal Affairs Act and plans a town hall meeting for September. Radiff hopes to receive council adoption of the direct democracy legislation sometime this fall. However, there are critics.

Predictably, there have been some reservations from council. It's hard for politicians, who are used to making all the decisions, to empower citizens and allow them to make decisions on important issues.

The critics also note that since Lindsay often doesn't get more than 35% voter turnout, that the minority should not be voting on legislation for the majority. Unfortunately these critics, many of whom are on council, are forgetting that it's the same 35% who voted them in. And, that even a smaller group - namely the councillors - are deciding for the majority right now. The Rossland model shows clearly that low voter turnout at election time does not mean low turnout for a referendum. In one referendum, people who had *never* voted in municipal elections registered to vote.

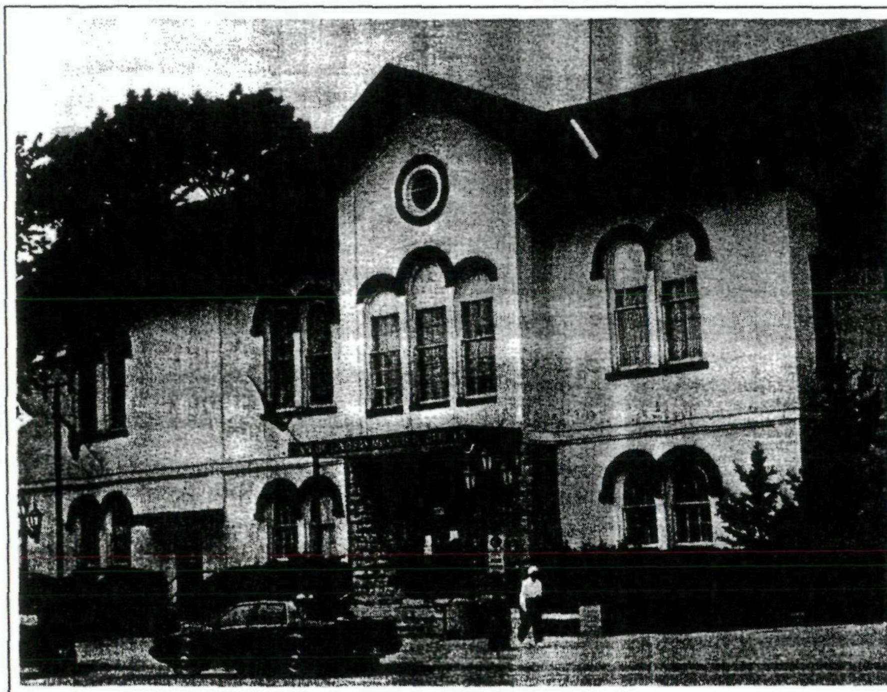
The final criticism - a petty one - is that referendums are too expensive. If well planned, referendums can have several issues, including the election of civic politicians, on the same ballot. Couple this with the fact Lindsay is already investing in a new voting register. This would allow citizens to vote at any time over a number of days and store their votes in computer memory for counting later on. Considering these factors, cost is hardly an issue. Is it a coincidence, or are politicians only concerned about costs when it makes them more accountable to the electorate?

It would serve Lindsay, and every other town and city in the province, well to take a serious look at empowering taxpayers. Sure, we can vote whoever we want in or out every three years. However, between elections, irreversible damage can be done with taxpayers having little or no say.

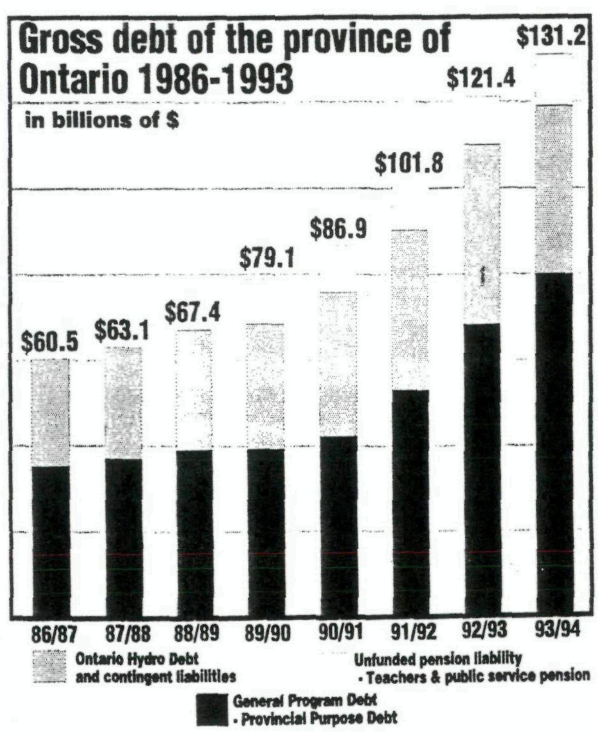
So, why not nip the problem in the bud. It's time that Lindsay and other municipalities make innovative moves towards citizen-based government. It's in the best interests of all taxpayers.

The Ontario Taxpayers Federation extends a hearty applause to Mayor Radiff for pioneering direct democracy in Ontario. Even if you don't live in Lindsay, we urge you to show your support by giving him a call at 705-324-6171.

Lindsay Mayor Max Radiff: Empowering taxpayers.



Will Lindsay be the precedent setter for direct democracy in Ontario?



Tax tidbits

Let's hope the trend continues

NDP Finance Minister Floyd Laughren has finally listened to a small piece of advice from taxpayers. On April 1, 1994, his government imposed an 8% tax on insurance deductibles. However, since that time the government has been warned the tax would violate existing insurance contracts where the insurer, not the customer, was to pay the tax. In early June, Laughren revoked the government measure. Good move. Taxpayers would be pleased if he would eliminate the tax altogether, along with a host of other 'hidden' taxes and fees that seem to be continually creeping up on us.

Is the house in order?

NDP Housing Minister E[illegible]n Gigantes has fired [illegible] members of the Metro Toronto Housing Authority (MTHA), and handed it over to a group of accountants for the time being. Although Gigantes deserves credit for trying to finally get the MTHA's $235 million house in order, the question must be answered - what took so long? For years now, the Ontario Housing Ministry and its $688 million non-profit housing projects and $273 million housing project budget, have been plagued with so many problems that the government has confessed even the auditors couldn't keep up. When speaking about the non-profit housing projects the province is involved with, Gigantes recently admitted that the Housing Ministry is not sure "who's in trouble, and who's not." Ouch! And governments wonder why taxpayers are cranky.

Cocktails anyone?

It seems that in the name of the Queen, Ontario's Lieutenant-Governor Hal Jackman has been riding high on taxpayer funds. Despite the November 1991 Cabinet restriction on new car purchases, Jackman ordered a spanking new custom-built Lincoln Town Car. Equipped with a rear sunroof, three telephones, a coffee table, and six cocktail holders, the car cost taxpayers a mere $69,000. No word yet on who's buying the cocktails.

Maximum pain, minimum gain

The Ontario government has closed eight provincial parks this summer and cut the 40 seasonal jobs needed to maintain them. By doing so, the government claims it will save $275,000. A case of the government not seeing the forest for the trees when it comes down to budget restraint. Perhaps Rae should have looked at the manner in which services are delivered in the province, or cut two senior bureaucrats instead.

Politicians pointing wrong direction

Tourism Minister Anne Swarbick, and the bureaucracy below her, have come up with a new plan that is sure to send the wrong signal to taxpayers. The government is planning to spend $1.18 million on the testing of highway signs. No joke. The Ministry has decided that the tourist-oriented signs should "identify and direct visitors". No doubt taxpayers would be hoping that most tourists who arrive in Ontario would have enough disposable income with them to purchase a map.

Income tax or GST?

The Canadian Taxpayers Federation and its five provincial affiliates have been actively fighting the idea of replacing the GST with increases in income tax to make up the shortfall. Meanwhile, several politicians have said Canadians are willing to have their income taxes raised to get rid of the GST. So who's right?

Well, although it is not the most scientific poll ever done, a recent *Toronto Star* survey asked its readers: "Would you be willing to pay more income tax to eliminate the GST?" The results of the 1,484 responses: Yes - 22%, No - 78%.

Interestingly enough, the *Star*'s results closely mirror the CTF's GST survey which showed 70% of our members prefer consumption taxes (like the GST) over income taxes.

The government could have saved $275,000 by cutting two senior bureaucrats instead of closing eight parks and cutting 40 seasonal jobs.

Dear Premier Bob Rae, Liberal Leader Lyn McLeod, and PC Leader Mike Harris:

I support a Taxpayers Protection Act for Ontario! Ontario taxpayers are on the line for over $131 billion in provincial debt and liabilities. This has been increasing by an average of almost $13 billion annually over the last five years. Since taxpayers are the ones who ultimately have to pay these bills, we need legislation that limits the government's ability to borrow, tax and spend. It's time for politicians to listen to the people of Ontario. A Taxpayer Protection Act should be enacted to end the cycle of higher taxes and deficits and penalize any politicians who break such a law.

I call on each of your parties to endorse a Taxpayers Protection Act for Ontario.

Name: ______________________ Signature: ______________________

Address: ______________________ City/Town ______________________ Postal Code: ____________

Please fill out this coupon and mail it to: The Ontario Taxpayers Federation, #203 - 339 Westney Rd. S., Ajax, Ontario, L1S 7J6

Ontario Hydro: to privatize or not?

Hydro with its $34 billion debt faces the music

by Paul Kemp

Provincial taxpayers increasingly have come to know Ontario Hydro, North America's largest electric power producer, and Canada's largest Crown corporation, is in dire need of a reality check. Now there's a study, commissioned by Ontario Hydro, to prove it.

On June 27, 1994, a report entitled, "Ontario Hydro and the Electric Power Industry: Challenges and Choices" was released. The report outlined the major obstacles the utility faces, and the steps needed to succeed.

The good news for taxpayers, the report points out, is that despite the $34 billion dollar debt, the gouging price hikes (which have been as high as 30%), and the ridiculously easy access to the provincial coffers for often dubious endeavours, there have been some recent successes made at Ontario Hydro. Internal staffing levels have been lowered from 29,600 to 22,600. There are plans to cut Ontario Hydro's operating budget by $1 billion a year and its capital budget by $24 billion over 10 years. As well, the utility has restructured its operations for competition between the four sources of power - hydro, grid, fossil, and nuclear; these are all positive signs.

However, the bad news is that the utility still holds on to its near-monopoly, or 91%, of electricity sales in the province, just like Linus, from the comic strip 'Peanuts', clutching desperately to his security blanket.

Ontario Hydro: On average employees earn $70,000 a year in salary and benefits.

And despite what the tenured academic, or average politician might tell you, utility monopolies, with their lack of competition and accountability, are not in the best interests of the taxpayer. They're bureaucratic nightmares. Hydro's payroll costs result in an average employee earning $70,000 a year, and interest payments on Hydro's debt consume fifty cents of every revenue dollar.

To top it off, serious changes in the U.S. are occurring where hydro electric power will, much sooner than expected, be open to competition and industry deregulation. If this occurs, Ontario Hydro's monopoly won't cut it. With Free Trade and a much freer global market place, Hydro will have to compete. Consumers will buy from the cheapest suppliers. The answer for Hydro is simple, and the report is clear. Sell Hydro assets, pay down the debt, and privatize. Now.

To Ontario Hydro Chairman Maurice Strong's credit, he has stated that if Hydro's monopoly is opened to competition, "the corporation must be free to operate flexibly and competitively in that market. Now, that can't be done with government ownership... I am convinced that government is not suited to running corporations."

We agree. In the interest of taxpayers, governments should get out of the business of running businesses.

Paul Kemp is a Research and Policy Analyst with the Ontario Taxpayers Federation. He is based in Ajax, Ont.

jobsOntario

Wasting tax dollars to find out it wasted tax dollars

The Ontario government is going to spend $180,000 to find out whether its job-creation program is working, despite several indicators to the contrary.

The program was initiated in 1992, with expectations of 100,000 jobs to be created over its two year duration through one year training grants to employers.

Private sector employers receive a grant of 35% of the new employee's wage, to a maximum of $10,000. A minimum of half the grant must be used to train the new employee who must currently be on welfare, or other form of social assistance, with unemployment insurance benefits exhausted.

To date, only 40,000 work spaces have been created with 30,000 employed. Based on the actual budget for the program, it has cost taxpayers $27,500 for each position created.

Critics of the program say Premier Rae doesn't need to spend another $180,000 to find out the program isn't working. The consultant will be approaching 4,000 workers and 2,000 employers to ask questions about the program. Those critics say the numbers already speak for themselves, and the civil servants handling the jobsOntario Training program already know its strengths and weaknesses. A simple questionnaire filled out by those working closest to the program would likely result in a substantially smaller bill than the consultant, saving a few dollars in a project that already has costs far outweighing the benefits.

The $1.1 billion program has been marred by allegations of fraud, abuse and misappropriation of funds from the beginning. An Ontario Provincial Police investigation is currently looking into a large amount of jobsOntario cash disappearing, and sloppiness in the bureaucracy has resulted in situations such as in St. Catharines, where a drug dealer received funding. As well, there were complaints about businesses laying off permanent staff to take advantage of the wage subsidies available by hiring jobsOntario participants.

Provincial Auditor Erik Peters was probing the program. But Rae cut off the probe by having Cabinet take over control, thereby removing it from the Auditor's realm of influence, and from access to freedom-of-information. (Cabinet decisions are basically exempt from freedom-of-information access or from examination by the Auditor.)

Governments need to understand they can't create jobs; they can only redistribute them.

Members' travel and Toronto accommodation expenses 1993/94

(Source: Prepared for "The Speaker: Hon. David Warner" by the Finance Branch)

Member	Riding	Travel betweeen residence & Queen's Park in $	Travel within riding in $	Assembly travel in $	Assembly trips	Family travel in $	Family trips	Toronto accommodation in $	Total in $
Abel, Don	Wentworth North	2,355	2,014	708	2.0	162		12,451	17,691
Akande, Zanana	St. Andrew - St. Patrick		94	2,603	9.0				2,697
Allen, Hon. Richard	Hamilton West			500	1.0			14,381	14,881
Arnott, Ted	Wellington	4,640	2,123	1,392	9.0			12,162	20,317
Beer, Charles	York - Mackenzie	3,541	3,442	2,950	9.0			178	10,110
Bisson, Gilles	Cochrane South	18,422	5,671	2,274	4.0	3,835	7.5	12,708	42,910
Boyd, Hon. Marion	London Centre	1,282		708	2.0			9,540	11,530
Bradley, James	St. Catharines	5,232						9,182	14,414
Brown, Mike	Algoma - Manitoulin (N)	16,696	9,121	4,314	5.5	1,028	3.0	14,611	45,770
Buchanan, Hon. Elmer	Hastings - Peterborough		1,241	104	1.0	310		14,444	16,099
Callahan, Robert	Brampton South	3,440	1,186	1,960	8.0				6,586
Caplan, Elinor	Oriole		3,189	2,577	10.0				5,765
Carr, Gary	Oakville South	4,656	2,834	2,840	12.0	165		371	10,866
Carter, Jenny	Peterborough	1,355	640	950	3.0	276	10.5	11,365	14,586
Charlton, Hon. Brian	Hamilton Mountain	3,475	2,047	208	2.0			12,893	18,624
Chiarelli, Robert	Ottawa West	12,788	2,620	1,707	4.0	1,250	3.0	13,592	31,956
Christopherson, Hon. David	Hamilton Centre	102	348	1,262	8.0			12,961	14,673
Churley, Hon. Marilyn	Riverdale			708	2.0				708
Cleary, John	Cornwall	9,083	5,851	899	3.0	312	1.0	12,522	28,667
Conway, Sean	Renfrew North	9,396	6,307	580	2.0			9,979	26,261
Cooke, Hon. David S.	Windsor - Riverside	6,036	1,001	208	1.0			15,102	22,346
Cooper, Mike	Kitchener-Wilmot	3,715	1,898	708	2.0			13,109	19,431
Coppen, Hon. Shirley	Niagara South	637	3,203	1,611	8.0	273		14,789	20,513
Cordiano, Joseph	Lawrence	146	1,427	1,011	3.0				2,584
Cousens, W. Donald	Markham	4,213	4,398	1,870	6.0	452			10,933
Crozier, Bruce (elected Dec. 2/93)	Essex South	2,527	448	142	1.0			4,367	7,483
Cunningham, Dianne	London North	13,984	4,669	420	2.0			14,553	33,626
Curling, Alvin	Scarborough North	2,627	1,596	1,118	5.0				5,341
Dadamo, George	Windsor - Sandwich	17,960	1,382	1,608	2.0	3,201	10.0	12,312	36,463
Daigeler, Hans	Nepean	11,513	2,477	3,558	8.0	302	3.0	12,682	30,532
Drainville, Dennis	Victoria-Haliburton	2,680	2,480	663	3.0	2,558		8,724	17,104
Duignan, Noel	Halton North	2,785	3,638	1,688	7.0			13,296	21,408
Eddy, Ron	Brant - Haldimand	7,022	7,469	2,585	10.0				17,076
Elston, Murray	Bruce	5,684	3,164	2,250	12.0			11,645	27,742
Eves, Ernie	Parry Sound	8,378	8,482	915	3.0			14,654	32,429
Farnan, Hon. Mike	Cambridge	5,406	1,533	692	4.0			14,438	22,069
Fawcett, Joan	Northumberland	4,174	4,543	818	3.5			13,848	23,383
Ferguson, Will	Kitchener	8,224	1,041	198	2.0				9,463
Fletcher, Derek	Guelph	6,690	2,554	708	2.0			11,027	20,980
Frankford, Bob	Scarborough East		3,368	708	2.0				4,077
Gigantes, Hon. Evelyn	Ottawa Centre	17,805		782	2.0			12,953	31,540
Grandmaitre, Bernard C.	Ottawa East	13,230	2,871	1,879	4.0	310	1.0	13,430	31,719
Grier, Hon. Ruth A.	Etobicoke - Lakeshore			604	2.0				604
Haeck, Christel	St. Catharines - Brock	1,192	1,432	1,391	3.0	66		13,318	17,399
Hampton, Hon. Howard	Rainy River (N)	14,207	10,836	726	2.0			14,222	39,992
Hansen, Ron	Lincoln	3,611	4,957	1,884	10.0			12,492	22,944
Harnick, Charles	Willowdale			151	2.0				151
Harrington, Margaret	Niagara Falls	3,654		708	2.0	261		12,981	17,604
Harris, Michael	Nipissing	15,475	3,859	5,738	15.0	5,037	12.0	15,654	45,762
Haslam, Karen	Perth	4,058	3,189	1,309	3.0	346	1.5	14,857	23,758
Hayes, Pat	Essex - Kent	11,987	7,498	1,903	6.0	521	1.0	13,346	35,254
Henderson, James	Etobicoke - Humber		5,107	726	3.0				5,833
Hodgson, Chris (elected March 17/94)	Victoria - Haliburton								
Hope, Randy R.	Chatham - Kent	6,015	4,069	708	2.0	177		14,654	25,623
Huget, Bob	Sarnia	7,905	1,993	1,210	4.0	393	1.0	13,796	25,297
Jackson, Cameron	Burlington South	8,146	1,755	501	2.0			1,315	11,717
Jamison, Norm	Norfolk	7,198	2,950	1,146	4.0	800		11,633	23,727
Johnson, David	Don Mills	223	1,023	2,159	8.0				3,404
Johnson, Paul R.	Prince Edward - Lennox - South Hastings	4,307	4,110	708	2.0	131		12,227	21,482
Jordan, W. Leo	Lanark - Renfrew	11,808	16,226	1,333	5.0	608	2.0	14,654	44,629
Klopp, Paul	Huron	6,977	8,179	708	2.0			12,095	27,960
Kormos, Peter	Welland - Thorold		14,704	2,176	2.0			12,550	29,430
Kwinter, Monte	Wilson Heights	246	5,569	2,082	7.0				7,897
Lankin, Hon. Frances	Beaches - Woodbine			812	2.0				812
Laughren, Hon. Floyd	Nickel Belt (N)	14,683	6,990	2,163	4.5	2,388	6.0	14,279	40,503
Lessard, Wayne	Windsor - Walkerville	8,669	1,012	647	1.5	863	4.0	11,053	22,243

Members' travel and Toronto accommodation expenses 1993/94 continued

Member	Riding	Travel between residence & Queen's Park in $	Travel within riding in $	Assembly travel in $	Assembly trips	Family travel in $	Family trips	Toronto accommodation in $	Total in $
Mackenzie, Hon. Bob	Hamilton East	1,262	697	812	2.0			5,670	8,441
Mackinnon, Ellen	Lambton	11,704	11,905	1,233	4.0	2,291		14,654	41,786
Mahoney, Steven W.	Mississauga West	4,019	5,805	7,789	12.0			182	17,796
Malkowski, Gary	York East		193	566	2.0				759
Mammoliti, George	Yorkview	5,835	3,504	4,535	12.0				13,875
Mancini, Remo	Essex South	1,670	290					3,356	5,316
Marchese, Rosario	Fort York	528	2,288	1,187	4.0				4,003
Marland, Margaret	Mississauga South	1,646	2,039	1,750	4.5			463	5,898
Martel, Hon. Shelley	Sudbury East	8,850	2,390	1,828	3.0	1,481	4.5	12,341	26,890
Martin, Tony	Sault Ste. Marie	23,416	230	1,440	2.0	3,159	9.0	12,574	40,820
Mathyssen, Irene	Middlesex	2,347	5,044	1,393	3.0	1,096	1.0	14,576	24,456
McClelland, Carman	Brampton North	5,184	4,947	5,417	12.0			1,230	16,778
McGuinty, Dalton J.P.	Ottawa South	19,305	1,392	2,624	4.0	3,071	9.0	14,654	41,046
McLean, Allan	Simcoe East	7,192	6,232	2,277	7.5	70	2.0	14,463	30,233
McLeod, Lyn	Fort William	28,960		8,829	18.0	7,138	11.0	15,654	60,580
Miclash, Frank	Kenora (N)	26,278	17,242	5,565	8.0			14,654	63,739
Mills, Gord	Durham East	3,010	4,287	971	4.0	20	2.0	13,363	21,651
Morin, Gilles E.	Carleton East	12,898	2,088	999	3.0	2,474	8.0	13,413	31,872
Morrow, Mark	Wentworth East	2,905	4,229					5,041	12,176
Murdoch, Bill	Grey-Owen Sound	5,887	11,194	4,711	11.0	1,334		14,081	37,207
Murdock, Sharon	Sudbury	7,280	1,246	1,528	5.0	1,298		13,900	25,253
Murphy, Tim	St. George - St. David			2,855	6.0				2,855
North, Peter	Elgin	9,187	2,002			106		14,112	25,408
O'Conner, Larry	Durham - York	2,954	6,877	708	2.0			14,113	24,653
O'Neil, Hugh	Quinte	3,908	4,367	1,285	4.0	406		11,711	21,677
O'Neill, Yvonne	Ottawa - Rideau	20,982		1,229	2.0	1,547	1.5	12,767	36,525
Offer, Steven	Mississauga North	4,669	3,170	2,112	5.0				9,951
Owens, Steve	Scarborough Centre	565	3,561	1,533	4.0				5,660
Perruzza, Anthony	Downsview	1,953	3,992	1,543	6.0				7,487
Philip, Hon. Ed	Etobicoke - Rexdale		1,196	708	2.0				1,904
Phillips, Gerry	Scarborough - Agincourt			458	2.0				458
Pilkey, Hon. Allan	Oshawa			708	2.0			15,654	16,362
Poirier, Jean	Prescott and Russell	10,736	2,257	230	1.0			14,654	27,877
Poole, Dianne	Eglinton			3,285	11.0				3,285
Pouliot, Hon. Gilles	Lake Nipigon (N)	6,091	6,767	334	1.0	6,273	8.0	15,204	34,669
Rae, Hon. Bob	York South			881	3.0				881
Ramsay, David	Timiskaming	24,501	9,023	6,606	12.0	4,083	9.0	14,144	58,357
Rizzo, Tony	Oakwood	1,347	3,297	1,274	4.0				5,919
Runciman, Robert W.	Leeds - Grenville	7,968	3,638	972	4.0	2,072	12.0	11,734	26,384
Rupecht, Tony	Parkdale		2,328	7,536	12.0				9,864
Silipo, Hon. Tony	Dovercourt			708	2.0				708
Sola, John	Mississauga East	3,177	4,785						7,962
Sorbara, Gregory	York Centre	1,299	349	2,500	11.0				4,149
Sterling, Norman	Carleton	15,356	6,194	2,159	7.0	1,437	3.0	14,482	39,627
Stockwell, Chris	Etobicoke West			574	2.0				574
Sullivan Barbara	Halton Centre	3,708	2,704	3,138	8.0			695	10,245
Sutherland, Kimble	Oxford	3,354	629	708	2.0			10,613	15,305
Swarbrick, Hon. Anne	Scarborough West			708	2.0				708
Tilson, David	Dufferin - Peel	1,672	1,491	1,221	9.0			13,940	18,324
Turnbull, David	York Mills		186						186
Villeneuve, Noble	Stormont - Dundas-Glengarry and East Grenville	13,306	8,830	2,514	10.0	63	0.5	13,053	37,766
Ward, Hon. Brad	Brantford	12,064	682	1,285	3.0			3,498	17,530
Wark-Martyn, Hon. Shelley	Port Arthur	20,190	3,868	1,773	3.0	3,912	6.0	13,212	42,955
Warner, Hon. David	Scarborough - Ellesmere								
Waters, Dan	Muskoka - Georgian Bay	5,323	8,001	708	2.0	26	1.0	14,654	28,712
Wessenger, Paul	Simcoe Centre	2,349	4,893	1,192	7.0			13,418	21,853
White, Drummond	Durham Centre	3,236	1,803	268	3.0	290		3,833	9,431
Wildman, Hon. Bud	Algoma (N)	21,169	6,208	1,257	2.0	4,214	9.0	14,376	47,223
Wilson, Hon. Fred	Frontenac - Addington	4,483	7,704	708	2.0	2,613		15,439	30,948
Wilson, Gary	Kingston and the Islands	3,420	1,207	727	2.0	227	2.0	12,947	18,528
Wilson, Jim	Simcoe West	7,875	6,599	5,274	11.0			14,592	34,340
Winninger, David	London South	5,515	1,250	1,586	3.0	384	5.5	14,356	23,090
Wiseman, Jim	Durham West	4,118	3,624	775	3.0			148	8,664
Witmer, Elizabeth	Waterloo North	6,890	2,830	653	6.0	70		692	11,135
Wood, Len	Cochrane North (N)	22,738	14,380	2,776	4.0	8,801	12.0	13,755	62,449
Ziemba, Hon. Elaine	High Park - Swansea			708	2.0				708
Totals		**$808,536**	**$450,759**	**$210,511**		**$85,981**		**$1,085,462**	**$2,641,250**

Members' office and support staff expenses 1993/94

(Source: Prepared for "The Speaker: Hon. David Warner" - Finance Branch)

Member	Riding	Support Staff	Constituency Office Rent	Office Operations	Newsletters	Mail	Long Distance	Other	Total
Abel, Don	Wentworth North	$130,559	$11,804	$19,102	$15,600	$8,328	$3,897	$7,790	$197,079
Akande, Zanana	St. Andrew - St. Patrick	129,846	13,747	15,125	18,756	1,871	663	6,021	186,029
Allen, Hon. Richard	Hamilton West	130,800	14,372	18,001	14,231	10,504	3,488	7,598	198,995
Arnott, Ted	Wellington	120,797	10,402	10,801	8,453	7,291	11,593	4,039	173,376
Beer, Charles	York - Mackenzie	135,786	14,103	13,046	39,114	11,260	4,711	6,400	224,421
Bisson, Gilles	Cochrane South	124,555	15,835	25,069	14,955	7,049	10,484	3,191	201,137
Boyd, Hon. Marion	London Centre	123,611	21,029	19,058	16,046	6,114	3,846	5,878	195,582
Bradley, James	St. Catharines	110,502	13,054	5,198		1,720	847	3,825	135,145
Brown, Mike	Algoma - Manitoulin (N)	139,054	11,426	14,629	6,361	16,873	7,342	9,136	204,821
Buchanan, Hon. Elmer	Hastings - Peterborough	135,202	10,767	15,284	10,818	8,316	24,700	3,801	208,887
Callahan, Robert	Brampton South	156,651	12,355	8,831	24,235	13,944	1,026	8,384	225,427
Caplan, Elinor	Oriole	135,543	12,050	17,287	41,605	26,134	2,897	14,148	249,665
Carr, Gary	Oakville South	130,922	13,710	14,680	18,194	44,396	931	8,069	230,902
Carter, Jenny	Peterborough	135,344	14,877	14,806	26,152	8,924	6,000	3,373	209,476
Charlton, Hon. Brian	Hamilton Mountain	133,434	9,848	12,476	16,419	1,853	2,143	3,374	179,546
Chiarelli, Robert	Ottawa West	134,727	11,654	18,624	39,641	26,985	3,843	18,755	254,229
Christopherson, Hon. David	Hamilton Centre	115,524	13,721	12,944	22,477	13,139	5,988	9,365	193,158
Churley, Hon. Marilyn	Riverdale	126,079	22,095	17,424	18,358	21,129	89	7,285	212,459
Cleary, John	Cornwall	132,662	14,231	11,979	10,042	12,841	1,826	8,086	191,667
Conway, Sean	Renfrew North	138,101	12,303	8,856		11,555	6,205	6,446	183,466
Cooke, Hon. David S.	Windsor - Riverside	133,720	15,813	8,802	10,406	5,387	3,796	3,132	181,056
Cooper, Mike	Kitchener - Wilmot	127,550	19,315	16,727	22,608	8,926	3,047	5,244	203,418
Coppen, Hon. Shirley	Niagara South	130,374	18,166	11,204	13,790	6,458	6,596	5,224	191,812
Cordiano, Joseph	Lawrence	139,724	14,960	9,766	14,319	23,473	512	9,326	212,079
Cousens, W. Donald	Markham	128,739	8,312	21,694	28,653	29,491	1,290	4,360	222,538
Crozier, Bruce (elected Dec 2/93)	Essex South	47,592	3,445	2,965	5,403	5,364	1,151	8,337	74,259
Cunningham, Dianne	London North	136,840	18,348	8,285	16,368	3,805	6,587	3,299	193,532
Curling, Alvin	Scarborough North	140,715	14,637	9,913	13,382	14,728	2,265	7,780	203,419
Dadamo, George	Windsor - Sandwich	137,039	16,356	11,978	23,341	7,660	5,714	4,964	207,053
Daigeler, Hans	Nepean	130,015	14,044	8,370	25,168	21,567	821	7,281	207,267
Drainville, Dennis	Victoria - Haliburton	94,624	10,964	9,043	11,876	3,399	7,417	2,966	140,290
Duignan, Noel	Halton North	122,463	19,599	23,357	19,208	8,281	4,338	7,873	205,118
Eddy, Ron	Brant - Haldimand	139,999	14,120	11,100	12,270	10,758	5,078	5,941	199,266
Elston, Murray	Bruce	163,937	10,152	4,817		10,314	7,951	6,468	203,639
Eves, Ernie	Parry Sound	124,001	11,303	9,581	4,512	2,678	9,067	2,192	163,334
Farnan, Hon. Mike	Cambridge	126,537	15,514	19,191	21,684	12,354	3,916	11,297	210,494
Fawcett, Joan	Northumberland	132,812	12,000	11,339	8,208	14,734	10,778	7,737	197,608
Ferguson, Will	Kitchener	126,816	18,189	20,775	34,662	17,405	2,167	9,485	229,500
Fletcher, Derek	Guelph	135,086	19,818	9,369	15,118	5,625	2,257	5,382	192,654
Frankford, Bob	Scarborough East	131,410	22,587	6,530	16,585	6,671	1,188	4,648	189,619
Gigantes, Hon. Evelyn	Ottawa Centre	132,664	19,487	12,258	34,103	26,318	4,670	6,185	235,684
Grandmaitre, Bernard C.	Ottawa East	140,457	16,899	8,309	30,741	12,456	1,077	8,569	218,509
Grier, Hon. Ruth A.	Etobicoke - Lakeshore	129,886	14,310	15,229	35,107	12,208	475	5,135	212,351
Haeck, Christel	St. Catharines - Brock	128,059	15,021	13,569	19,752	8,928	5,941	4,557	195,826
Hampton, Hon. Howard	Rainy River (N)	135,208	16,668	13,783	12,116	11,753	7,889	6,233	203,650
Hansen, Ron	Lincoln	125,407	13,745	21,991	18,979	10,935	4,382	5,842	201,282
Harnick, Charles	Willowdale	121,708	15,925	10,396	13,208	13,436	521	4,148	179,341
Harrington, Margaret	Niagara Falls	131,542	14,147	16,320	17,419	11,292	6,928	7,481	205,127
Harris, Michael	Nipissing	137,384	13,979	9,624	11,590	7,296	5,531	6,486	191,890
Haslam, Karen	Perth	129,744	11,913	12,673	19,987	10,092	6,256	12,387	203,051
Hayes, Pat	Essex - Kent	122,870	11,899	15,557	12,005	7,447	10,098	7,649	187,523
Henderson, James	Etobicoke - Humber	141,591	15,441	7,522	36,914	14,680	2,762	9,218	228,129
Hodgson, Chris (elected March 17/94)	Victoria - Haliburton							26	26
Hope, Randy R.	Chatham - Kent	130,559	13,041	9,579	11,076	7,703	5,569	3,224	180,751
Huget, Bob	Sarnia	130,561	13,388	13,275	16,929	6,999	6,143	6,283	193,577
Jackson, Cameron	Burlington South	124,958	11,896	18,953		23,034	3,971	16,216	199,028
Jamison, Norm	Norfolk	135,204	16,509	13,367	9,058	5,980	9,731	4,040	193,889
Johnson, David	Don Mills	116,613	11,160	9,339	22,911	8,476	215	8,887	177,600
Johnson, Paul R.	Prince Edward - Lennox - South Hastings	130,818	11,653	16,626	12,930	6,722	7,580	5,044	191,373
Jordan, W. Leo	Lanark - Renfrew	140,436	10,777	17,526	10,625	6,010	12,645	4,979	202,999
Klopp, Paul	Huron	134,489	13,436	8,351	13,133	11,469	13,616	5,215	199,709
Kormos, Peter	Welland - Thorold	140,938	15,860	10,497	8,216	4,098	10,491	7,871	197,970
Kwinter, Monte	Wilson Heights	148,758	10,604	6,874	21,573	13,137	2,850	8,047	211,843
Lankin, Hon. Frances	Beaches - Woodbine	131,977	21,282	11,551	19,719	10,670	343	4,248	199,789
Laughren, Hon. Floyd	Nickel Belt (N)	122,302	15,105	23,748	6,211	10,437	8,428	5,762	191,993
Lessard, Wayne	Windsor - Walkerville	136,826	9,993	14,038	20,358	34,806	4,074	10,730	230,824

Members' office and support staff expenses 1993/94 continued

Member	Riding	Support Staff	Constituency office rent	Office operations	Newsletters	Mail	Long distance	Other	Total
MacKenzie, Hon. Bob	Hamilton East	$136,538	$13,581	$15,770	$18,957	$8,519	$1,835	$3,731	$198,933
MacKinnon, Ellen	Lambton	120,838	14,526	18,567	10,177	5,217	8,352	3,392	180,868
Mahoney, Steven W.	Mississauga West	134,090	17,248	10,415	8,325	13,306	2,135	9,933	195,452
Malkowski, Gary	York East	131,460	15,169	13,718	22,538	16,877	750	4,646	205,158
Mammoliti, George	Yorkview	112,258	15,746	37,570	30,241	20,309	507	11,559	228,189
Mancini, Remo	Essex South	40,034	3,486	56,652		248	2,234	1,851	104,506
Marchese Rosario	Fort York	131,622	18,098	16,051	34,024	36,752	283	14,248	251,078
Marland, Margaret	Mississauga South	120,778	15,619	12,010	25,645	8,768	1,114	3,847	187,782
Martel, Hon. Shelley	Sudbury East	130,711	12,776	15,659	13,094	15,856	6,593	7,149	201,837
Martin, Tony	Sault Ste. Marie	139,440	15,898	10,112	20,818	8,342	4,561	4,258	203,430
Mathyssen, Irene	Middlesex	135,852	12,941	14,700	18,406	9,351	7,032	3,880	202,161
McClelland, Carman	Brampton North	131,043	15,099	19,635	5,319	11,064	1,745	9,491	193,396
McGuinty, Dalton J.P.	Ottawa South	129,602	12,257	12,218	14,186	20,612	5,829	10,304	205,007
McLean, Allan	Simcoe East	112,127	14,586	15,252	14,521	17,157	1,435	5,750	180,828
McLeod, Lyn	Fort William	132,908	16,657	15,513	10,985	61,152	9,954	8,719	255,888
Miclash, Frank	Kenora (N)	130,560	14,678	20,334		33,422	13,883	14,012	226,889
Mills, Gord	Durham East	131,954	14,724	14,000	22,431	8,750	6,406	4,189	202,453
Morin, Gilles E.	Carleton East	140,427	14,246	10,358	13,978	15,314	2,327	13,095	209,744
Morrow, Mark	Wentworth East	147,772	12,030	15,275	14,088	5,009	4,555	2,886	201,616
Murdoch, Bill	Grey-Owen Sound	127,521	20,929	10,924	13,121	6,755	13,658	4,111	197,018
Murdock, Sharon	Sudbury	132,723	12,480	15,123	25,344	9,234	2,956	2,632	200,492
Murphy, Tim	St. George - St. David	127,549	24,333	13,107	65,102	33,401	658	23,003	287,193
North, Peter	Elgin	132,894	16,508	11,411		6,615	4,759	7,123	179,310
O'Conner, Larry	Durham - York	134,952	12,657	15,441	21,723	17,908	14,316	6,382	223,378
O'Neil, Hugh	Quinte	142,319	13,241	9,621	21,082	12,872	2,684	8,406	210,226
O'Neill, Yvonne	Ottawa - Rideau	143,403	14,662	13,128	23,680	12,162	808	8,165	216,007
Offer, Steven	Mississauga North	142,081	14,080	9,612	27,001	20,873	679	11,010	225,335
Owens, Steve	Scarborough Centre	129,327	17,775	8,143	15,552	6,347	363	3,241	180,748
Perruzza, Anthony	Downsview	116,234	14,990	34,227	31,129	20,313	629	12,037	229,559
Philip, Hon. Ed	Etobicoke - Rexdale	130,082	18,970	12,108	14,167	8,378	496	9,940	194,141
Phillips, Gerry	Scarborough - Agincourt	147,199	13,695	4,644	10,971	12,225	679	8,773	198,186
Pilkey, Hon. Allan	Oshawa	120,074	17,192	15,751	24,616	9,222	1,886	6,425	195,166
Poirier, Jean	Prescott and Russell	149,700	13,474	10,047	7,620	11,274	6,372	7,363	205,850
Poole, Dianne	Eglinton	142,265	14,074	8,796	33,361	13,909	335	9,116	221,855
Pouliot, Hon. Gilles	Lake Nipigon (N)	132,395		15,502	13,837	3,214	6,044	3,329	174,321
Rae, Hon. Bob	York South	119,173	20,168	14,638	24,042	50,259	358	10,397	239,036
Ramsay, David	Timiskaming	139,266	15,797	10,619	8,330	10,783	7,227	8,590	200,612
Rizzo, Tony	Oakwood	124,302	17,579	23,884	20,536	19,236	2,865	4,464	212,866
Runciman, Robert W.	Leeds - Grenville	128,074	7,284	15,173	20,454	5,910	8,171	3,546	188,611
Ruprecht, Tony	Parkdale	138,318	14,709	8,917	32,846	24,173	1,174	11,497	231,636
Silipo, Hon. Tony	Dovercourt	128,266	18,611	18,663	21,471	14,104	331	9,083	210,530
Sola, John	Mississauga East	144,485	15,488	5,652	16,332	1,162	683	3,578	187,381
Sorbara, Gregory	York Centre	140,873	18,337	4,235		9,492	9,317	6,456	188,711
Sterling, Norman	Carleton	131,697	6,435	15,454	11,170	7,685	6,229	2,626	181,294
Stockwell, Chris	Etobicoke West	131,321	16,177	18,029	7,578	1,189	3,675	3,559	181,528
Sullivan, Barbara	Halton Centre	136,222	13,854	14,833		34,650	3,738	15,544	218,841
Sutherland, Kimble	Oxford	128,781	20,164	12,064	13,322	9,561	10,060	5,898	199,849
Swarbick, Hon. Anne	Scarborough West	121,709	19,895	21,882	27,996	24,284	179	16,476	232,420
Tilson, David	Dufferin - Peel	109,097	14,535	14,419	11,473	15,055	8,935	8,833	182,347
Turnbull, David	York Mills	130,957	10,914	7,387	21,864	13,962	350	4,051	189,485
Villeneuve, Noble	Stormont - Dundas - Glengarry and East Grenville	125,293	12,134	9,870	9,630	2,559	6,541	2,196	168,223
Ward, Hon. Brad	Brantford	129,774	14,320	11,363	10,374	20,067	6,025	5,165	197,086
Ward, Margery	Don Mills		610			4			613
Wark - Martyn, Hon. Shelley	Port Arthur	127,550	16,935	15,111	10,307	11,780	4,282	6,049	192,014
Warner, Hon. David	Scarborough - Ellesmere	131,958	14,705	15,739	12,532	7,008	219	6,677	188,839
Waters, Dan	Muskoka - Georgian Bay	126,635	21,840	15,334	12,871	6,488	9,123	3,508	195,799
Wessenger, Paul	Simcoe Centre	127,875	17,621	9,767	24,724	6,214	6,059	5,554	197,814
White, Drummond	Durham Centre	128,144	19,741	11,442	30,040	17,530	6,076	8,315	221,288
Wildman, Hon. Bud	Algoma (N)	123,891	18,937	18,803	19,666	10,062	10,751	7,509	209,618
Wilson, Hon. Fred	Frontenac - Addington	121,073	20,720	16,115	14,142	5,606	8,613	6,458	192,727
Wilson, Gary	Kingston and the Islands	129,335	17,233	11,889	18,911	10,787	3,619	5,400	197,174
Wilson, Jim	Simcoe West	139,440	289	17,010	13,651	21,109	11,312	4,522	207,331
Winninger, David	London South	135,898	19,089	8,705	27,659	20,506	8,386	10,698	230,940
Wiseman, Jim	Durham West	128,022	17,321	19,983	18,005	20,060	466	5,945	209,802
Witmer, Elizabeth	Waterloo North	130,921	17,234	9,233	14,734	4,193	3,047	4,020	183,383
Wood, Len	Cochrane North (N)	126,584	15,445	19,839	11,066	8,627	12,916	8,041	202,517
Ziemba, Hon. Elaine	High Park - Swansea	124,324	17,621	19,365	11,344	11,190	179	3,413	187,435
TOTALS		**$17,020,436**	**$1,925,325**	**$1,845,792**	**$2,256,824**	**$1,721,705**	**$630,401**	**$918,426**	**$26,318,909**

Manitoba taxpayer balance sheet

ASSETS

Councillor sees the light

We could scarcely believe our ears. On a local radio talk show, Winnipeg Councillor Rick Boychuk (Transcona) called for a taxpayer referendum on building a new arena with public money. Boychuk joins Harry Lazarenko and Evelyn Reese, who already support a vote on the issue. Money by-laws were regular features of municipal government in Manitoba until the NDP revoked them in 1972.

Boychuk, Winnipeg City Councillor

Taxpayers strike gold

Congratulations to Mines Minister Don Orchard for growing the tax base by selling off the Trout Lake mine. This was the largest holding of an obscure Crown corporation called Manitoba Mineral Resources. Taxpayers are ahead $25 million. The private buyer will invest up to $100 million in the facility.

Liberal leader Paul Edwards called the sale a mistake, because MMR gives the province a "window on the mining industry". Think again, Paul. Taxpayers don't need to finance mines administered by bureaucrats.

Orchard should use the opportunity to shut down the rest of MMR's operations, and let the private sector risk its own capital, instead of sinking more of our tax money in the ground.

Edwards takes the other tack

Who said this? "If the people don't want to invest of their own free will, then the government shouldn't be doing it." Would you believe it's the same guy quoted just two paragraphs ago? You bet. This time the issue is public financing of a new arena, and the speaker is Paul Edwards. "The government should not be making a decision on this -- the people should be voting with their cheque books," he added.

It was nice to see Edwards support Premier Filmon's courageous, if tentative, refusal to soak taxpayers for a new sandbox for the Jets. Be more consistent, Paul.

Uncommon sense on health care

A tip of the hat to Bill Myers, top doctor at Brandon General Hospital, who recently called on politicians to stop treating medicare as a sacred cow and start working co-operatively with the private sector. He says we should free up the system so that private alternatives can deliver services, as the public system is contracting from funding shortages.

Don Orchard, Minister of Energy & Mines

Naturally, the usual suspects lined up to attack Myers. Liberal leader Paul Edwards said, "This cannot go unchallenged." The usual Public Interest Groups called for policy changes to forestall the inevitable, while continuing to line their own pockets. What about the public? Let them stand in line and wait?

Liberal stays in touch

Winnipeg South Member of Parliament Reg Alcock is staying close to his constituents these days -- using technology. He has no office staff in Ottawa at all. All routine procedures are automated, freeing up his people to give personal service to voters. With computers, telephones and faxes humming, Alcock can respond quickly to problems that arise at home, and stay up to date.

While the average MP spends 40% of his office budget in his riding, Alcock spends 90% at home. At the same time, his database helps him pinpoint issues and keep in touch with the people that sent him to Ottawa. He's now called the "techno-wizard" of Parliament Hill. Advocates of direct democracy, take heart. A future in which taxpayers can let their representatives instantly feel the heat is not too far off.

LIABILITIES

Garbage about garbage

Winnipeg Councillor Terry Duguid is down in the dumps about Browning-Ferris Industries' (BFI) plan to set up a private landfill north of the city. Duguid's worried because BFI will offer disposal rates that are much lower than the city's. "They are our competitors and they are trying to crush us," he said.

Competition for garbage dumping might lower the city's revenues, but the real problem may be that municipal management of city operations is notoriously inefficient. Winnipeg ratepayers would see substantial savings in their own garbage removal costs by using the private facility. They would save even more if the city's garbage collection monopoly was pried open.

It's time to bring competition to bear on government services, right on the line. Junking the garbage monopolists at City Hall may be the first step.

Free culture at home

An aboriginal group calling itself the Parent Council of NijiMahkwa School brought its shopping list to the Winnipeg School Board in June, asking for almost $400,000 in tax money to fund cultural workers in local schools.

It would be nice for every ethnic group to have the resources to preserve their culture through the school system. But students from all backgrounds are losing out because their basic academic needs are being ignored in favour of a variety of "progressive" programs.

Native students, like the rest, need more reading, writing and arithmetic, not heritage training. They can get that at home. For free.

Fox watching chickens

Health Minister Jim McCrae set up a new advisory group in May -- the Manitoba Medical Services Council, which is supposed to chart the course of health-care reform.

So who's on the council? Eight doctors, a nurse, an MMA employee, three civil servants and one -- that's right, one! -- member of the community at large. Most of these folks are providers of health care services. Only one is nominally a consumer of health care services. Will they focus on the interest of providers or the interests of consumers? We wonder. When an entire industry is centralized into a government-sanctioned monopoly we find that the interests of providers of goods and services in that field will over-ride those of consumers. Taxpayers will receive few reforms worth talking about from this group.

Get lost, taxpayers

Provincial Auditor Carol Bellringer tried to look into cost overruns on untendered contracts signed by the Manitoba Hazardous Waste Management Corporation. Officials at the Crown agency complained that they were being "poked, prodded and examined" and talked about "harassment".

What did Environment Minister Glen Cummings do about it? He relayed his concerns to the executives involved. That's not good enough. These fellows are cashing pay cheques underwritten by taxpayers. If they don't want to account for their activities, their funds should be stopped. Which government thought up this unaccountable bureaucracy anyway?

Dying downtown strangled by red tape

A local entrepreneur who is refurbishing properties in Winnipeg's Exchange District says he wishes he could convince city bureaucrats to get rid of the red tape he faces on every project. It takes about a year just to get approval for a sidewalk cafe.

Area businessmen have taken to maintaining streets and lighting on their own, rather than wait on city hall. When they asked for a police foot patrol to enhance security, they were offered off-duty officers at $52 an hour.

Winnipeg has the highest property taxes in North America, and a slow and unresponsive bureaucracy. Would a little money under the table speed things up? Sorry, too many big salaries at stake.

Manitoba's first Tax Freedom Day party

A band of merry taxpayers toasted the occasion, and gorfed hot dogs. High above their heads loomed the gigantic blue and grey spectre of the "Bridge to Nowhere", temporarily festooned with the banner, "Manitoba Taxpayers Tax Freedom Day."

Friday, July 15,* was the day Manitobans finally earned enough, on average, to satisfy the gluttonous appetite of the tax man, and start working for their families.

The cost and location of the famous bridge (see last issue's Golden Flush nomination for full details) symbolize how wasteful politicians and governments can be with the earnings of hard working Manitoba families.

The day was replete with symbols of our tax dollars spent on inefficient and extravagant government systems. As TV cameras rolled, three uniformed students in a fancy government van arrived to empty a nearby garbage pail. The coast guard chugged by in an expensive red boat.

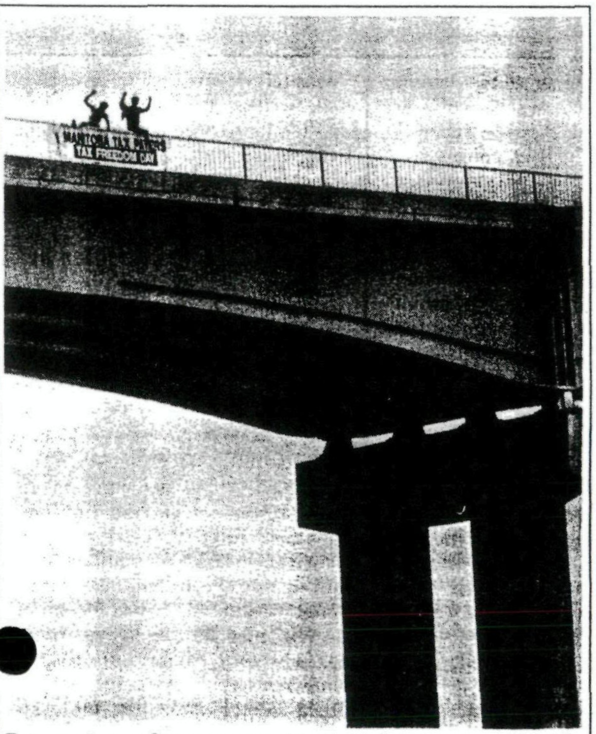
A Winnipeg TV station interviewed ordinary "taxpayers on the street" as a follow-up to its coverage of the party. They all agreed that we pay too much for too little.

A prominent Winnipeg Public Interest Group, that always wants more government spending, blamed corporations for not paying enough taxes.

We were of course thrilled to hear this because the stand supports one of our Association's top priorities. Right now the biggest tax freeloaders in the Manitoba economy are the Crown corporations which pay zero income tax, unlike normal companies (see Manitoba Barneys, pg. 8).

Our merry band of taxpayers looks forward to celebrating Tax Freedom Day next year. Perhaps the government will have moved some of these companies into the taxpaying sector with the rest of taxpaying Manitoba families.

** Tax Freedom Day landed on June 23 this year, if you ignore deficits. The AMT considers deficits to be deferred taxation, and so we use the Fraser Institute's estimate of July 15 as the correct date.*



Taxpayer banner flutters atop another wise infrastructure project, "The Bridge to Nowhere," July 15, 1994.

Entrepreneurs: Thumbs down on politicians

What do the Canadians who really create jobs think about the high cost of government?

The "*Financial Post*" and the Arthur Andersen accounting firm recently polled Canadian entrepreneurs.

The results are illuminating. Here are some of their responses:

Question: What's the most serious issue facing Canadian entrepreneurs today?

The number one answer, right across Canada, was overwhelmingly "taxes."

Question: Do you think the recent budget indicates the government is serious about reducing the deficit? Nationally, 86% said "no". In the prairie region, 92% said "no".

Question: Do you think the government went far enough in its spending cuts?

97% of Canadian and 98% of Prairie entrepreneurs said "no".

Question: Do you believe the current federal government is representing your best interests in its policies and programs?

Across the country, 87% replied "no". The rejection was fully 93% in the prairies.

Question: What federal party most closely reflects your views?

Party	Canada	Prairies
Reform	39.2%	56.8%
Progressive Conservative	18.0%	19.1%
None of the above	18.5%	15.1%
Liberal	19.3%	9.0%
Unspecified	3.0%	0.0%
Bloc Quebecois	1.6%	0.0%
NDP	0.4%	0.0%

Entrepreneurs like the Reform Party, followed by the Conservatives, none of the above, and then the Liberals. Gary Doer, you have a problem. Entrepreneurs don't have time for your party.

Job creation -- government style

Politicians paying $172,000 per "job created"

To date, Manitoba taxpayers are funding 244 projects under the Canada/Manitoba Infrastructure Works Agreement. The balance will be announced by the middle of August. Total Manitoba infrastructure spending is projected to cost $208 million.

For now, let's look at the projects announced by our publishing deadline. They will eat up a total of $160 million in borrowed cash. The three levels of government claim that "up to 2,800 new jobs" will be created. It's not clear how many of these jobs will continue once the projects are completed, but a lot of the money builds facilities that will continue to drain the public purse for upkeep and staffing.

What is the real cost of the employment generated by spending $160 million? To "create" 2,800 temporary public sector jobs so far, our bankrupt governments will borrow $160 million. Calculating interest costs at an average rate of 8% adds another $12.8 million annually to the bill. In other words, over ten years the cost to repay this $160 million will be $288 million.

So far, the infrastructure extravaganza appears to be costing Manitoba taxpayers almost $103,000 per temporary job!

But wait. This cost per job is too low. Why? Government borrowing is just delayed taxation, and taxes have a negative impact on the economy because they reduce productive private sector investment and lower everybody's spending power. Recent studies show that it costs the Manitoba economy $1.72 to raise an additional dollar of tax revenue.

Taxpayers and businesses will therefore have to create $495 million in wealth to pay for the long-term costs of these political projects. That's about $177,000 for each job. To make sense, these projects will need to generate economic benefits of that amount per job. Very unlikely.

Jobs destroyed by this misguided infrastructure celebration will exceed the short term jobs created. We can safely assume that the private sector would find more productive use for the $160 million committed so far. Ironically, by trying to create 2,800 high-profile, but temporary infrastructure jobs our money-squeezed governments are probably killing 3,500 real jobs in future activity. These will be squeezed out by the damaging effects of higher taxes. These lost future jobs can't be identified, so there will be no news conference.

"But," you say, "we're getting new roads and bridges and sewers built. We need them, so it's worth it."

Unfortunately some of the projects have nothing to do with infrastructure. In fact, politicians became the butt of so many jokes, as they filled provincial and municipal wish lists, that they started to talk about "cultural infrastructure".

With the fiscal crunch looming and big spending cuts on the way courtesy of foreign bond markets we can safely assume this exercise in naive, but well intended pump priming will be Canada's last political infrastructure program.

No doubt many of the approved projects have value, but calculating the true cost per job versus claimed public benefits makes you think twice. Many of the plans involve real infrastructure, but we thought you'd be amused by a few that aren't; we have also included some real infrastructure projects that seem just plain ridiculous.

How a country becomes poor

Cost	Total spent	Cost per job
Program spending	$160 million	$57,143
Interest costs over 10 years (8%)	$128 million	$45,714
Costs to raise extra taxes to cover expenditure ($1.72 per $1.00)	$207 million	$74,057
Total	**$495 million**	**$176,914**

A political spending spree

Feeling good by borrowing good

Cost	Project	Translation
$10 million	**Winnipeg Community Services Infrastructure Program:** Renew deteriorating streets, sidewalks and alleys; provide employment for 190 social assistance recipients selected from the municipal caseload; will save $4.4 million in social assistance over two years.	190 people will follow cement trucks with brooms and shovels. Spend $10 million to save $4.4 million.
$9 million	**Winnipeg Community Initiatives:** Fund Winnipeg projects that enhance community services and facilities at community clubs, recreation centres and other groups.	Like so much of the Core Area Initiative, another big slush fund to hand out money to potential political supporters.
$2.59 million	**Upgrade sewer, water and road facilities at the Burntwood Trailer Court in Thompson:** Water consumption is expected to be reduced by 400,000 gallons per day once it is no longer necessary for residents to run water continuously to prevent freezing.	Taxpayers get to foot the bill for the bad planning by whoever designed this trailer court.
$2.5 million	**Royal Winnipeg Ballet student residence, Winnipeg:**	The Aberdeen hotel was torn down years ago to make room for the residence. The Infrastructure program is being milked to fill old wishlists. The students have been adequately billeted in private homes.
$1.2 million	**Forks Commemorative Plaza, Winnipeg:** A futuristic plaza of Tyndall stone and steel between the new Manitoba Children's Museum and the Johnston Terminal will include a "naked eye" astronomical observatory.	There's no indication what this plaza will commemorate, but might we suggest a bankrupt taxpayer? More pet projects from the past.
$1.1 million	**Glenlawn Collegiate Community Athletics and Performing Arts Facility, Winnipeg:** A 30,000 square foot addition and renovations to 7,500 square feet of the existing building; continuing and distance education programs in computer technology, industrial technology and other academic studies; will accommodate community groups related to the creative arts, athletics, recreation and technology.	Glenlawn will piggyback this project onto the insurance money to replace the building that burned down last year, and the part of the school that survived will be dressed up to match. Classrooms, where the money is really needed, will continue to churn out a sub-standard product.
$1 million	**Southport Aerospace Centre:** upgrade and expansion of indoor pool.	Closing the air force base continues to be a handy way to extract more money from the government.
$400,000	**Matlock Fire Hall:** improve training facilities for fire fighters, reduce response time, and facilitate equipment maintenance.	The 307 regular residents of Matlock, a beach community, close to Winnipeg Beach will get world-class fire fighting facilities at everybody else's expense.
$75,000	**Gimli Wharf Rebuilding:** a portion of the wharf where the concrete has deteriorated will be replaced.	Waves from Lake Winnipeg will pound the shoreline as they have for centuries. Gimli residents will breathe a sigh of relief that all other taxpayers will help to fix the damage this time.
$45,000	**Cartwright Heritage Park/Museum:** additions and improvements to the park will create a heritage area. The site will be home to a blacksmith shop, shoe repair shop, newspaper print shop, telephone office and a museum with a variety of local artifacts.	Another of the many similar taxpayer-funded quaint little frontier villages that employ a few over-dressed teenagers to swelter in the summer heat while most everybody else heads for the beach.

Credo -- do you believe it?

One of the "cultural infrastructure" recipients listed elsewhere gave us an interesting slant on the process of obtaining government money.

Derek Mazur, a spokesman for the Credo Group, said his company was already quite successful in its own right. He and his partner were looking for opportunities to expand their film and television drama business. When they heard about the infrastructure program, they applied, and were surprised when the money was approved.

According to Mr. Mazur, they intend to use their own capital, $1.5 million, to replace the city's portion of the infrastructure fund. They will receive a total of $1 million, half from Ottawa and half from the province. (*The official release states that Credo will receive $1.5 million.*) The money will be spent to build a new film studio on Sherbrook Street, and to renovate an existing building on the site. The facility will be finished by May, 1995.

Mr. Mazur stated that Credo has 12 full-time employees, but that the existence of an expanded studio facility will bring more projects, a lot of private capital, and a lot more employment to the film industry in Manitoba. The resulting 10,000 square foot studio is predicted to make Winnipeg more attractive to film-makers.

Credo has received government funds in the past from the provincial Cultural Industry Development Office, in the form of equity financing in films. Mazur said that Credo will be renting out space in the new shooting stage to others in Winnipeg at a reduced rate to provide a return just on Credo's investment, not the infrastructure money.

Thanks, taxpayers.

Maximum pain for minimum gain

Stuck in the old paradigm: "Filmon Fridays"

by Peter Holle

Like old generals, retired politicians often just fade away. Somewhere, someone may hang a painting, mount a bust, or rename a street. Apart from the history books, the only ones that remain in the public's memory are those associated with a particular achievement, like Duff Roblin, who built the Winnipeg Floodway. Remember "Duff's Ditch"?

How will Manitobans remember our current Premier? What wisp of memory will remain when his administration finishes? Unfortunately, it may be "Filmon Fridays".

The Conservative administration has been a relatively prudent and thrifty manager of the province's finances. They have not hit taxpayers with any major increases during their six years in power.

Unfortunately, the Conservatives have chosen the most politically difficult approach to fiscally responsible

Imagine a service business which tries to save money by shutting itself down for a day every month or so.

government - cutting services in highly visible and disruptive ways. They have fallen for the classic bureaucratic ploy of "Maximum Pain for Minimum Gain." It gives politicians the unhappy choice between raising taxes and borrowing more cash, or backing highly unpopular, but insignificant spending cuts.

A classic example can be found in the provincial government policy known widely as "Filmon Fridays."

What are "Filmon Fridays"?

It's a nickname coined by government employee unions to describe Bill 22, a classic clunker, <u>The Public Sector Reduced Workweek and Compensation Management Act</u>.

The legislation came into effect April 1, 1993, and is due to expire March 31, 1995. It requires all civil servants to take 10 unpaid days of leave every year. The savings realized are minor. They amount to 3.8% of payroll. Crown corporations have had to swing into step as well. Hospitals, exempted during the first year of the plan, were brought into the policy this year. In its expanded form, the policy of shutting services down across the board or "Filmon Fridays" affects 100,000 Manitobans who work for the province, at Crowns, or in hospitals.

The government employees affected are not happy about Bill 22. Leaders at the Manitoba Government Employees Union, the Public Service Alliance and the Manitoba Federation of Labour have been fighting the policy from its beginning. One objection they make is that taxpayer money not spent on wages disappears from the economy, and the loss makes us all less prosperous. The M.G.E.U. even surveyed restaurants near government buildings. Most reported substantial drops in business on the unpaid days off. A more credible complaint they make is that the legislation overrides good faith contracts already negotiated.

But Bill 22 misses the real problem: cutting back spending across all departments offers only a temporary band-aid to the hemorrhaging budget deficit. Though the politicians who let this Trojan Horse through never realized this, Bill 22's approach spells "death by a thousand cuts." Little is saved, but they get stuck with the responsibility for thousands of disruptions that end up inconveniencing hundreds of thousands of voters. What we end up with is only the appearance of spending restraint that focuses on the symptom of rising spending. The causes of rising spending, meanwhile (spend it or lose it budgeting, paying people based on the size of budgets and staffs etc.) remain in place.

Imagine a service business which tries to save money by shutting itself down for a day every month or so. Suppose an airline, for example, decided to close itself down a Friday every month to save money. Doesn't make much sense does it? It would quickly lose customers and go out of business. No customer-oriented business would survive such a counter-productive way to save money.

It should be no different for government services. Our governments, however, are not service-oriented. Services are seen as expenditures of money, not as activities which provide a valuable product for customers.

The orientation in departments now is to spend money, not provide services. This is what we at the Taxpayers Association call the old model or the "old paradigm" of government. To save money in this out-dated model of government you must reduce service to reduce expenditures. Cut spending by cutting service. Hence Bill 22.

The remarkable thing about Bill 22 is that everybody loses, nobody wins. Taxpayers have their services disrupted. Civil servants lose with unpaid holidays. The biggest losers, unquestionably, are the politicians trapped in the old paradigm of government thinking. They get blamed for inconveniencing everyone.

Most taxpayers **want** the province to provide public services. They **want** services in place at convenient times. Mr. Filmon and his cabinet found this out the hard way the first time a forced holiday occurred at the end of the month. Bill 22 left thousands of Manitobans high and dry when they tried to renew their drivers' licenses.

Everyone, including civil servants, recognizes that government workers are not always productive. It's not because they are inherently lazy, but because they behave rationally in a system that has no customer focus and rewards wasteful spending.

A low-level worker at a large Manitoba hospital summed it up well. "They don't give us enough work to keep us going. Everyone leaves for coffee break and lunch 15 minutes early, and returns 15 minutes late. Half the time we're goofing off." He was ashamed to be part of a farcical work situation; he wanted his time to be used efficiently.

Ham-handed across-the-board forced holidays only institutionalize our incompetent, "old paradigm" model of government. Instead of trying to fiddle around at the edges of a broken structure of government, wouldn't it be more useful all around to attack the problem of over-spending at its root?

What if the Filmon government saw that Bill 22 damages services and its credibility? Instead of flailing around in the old paradigm cutting services, it recognized that it could improve service while cutting costs for taxpayers like governments have done very successfully elsewhere.

First his Cabinet turfs "Filmon Fridays."

Services are seen as expenditures of money, not as activities which provide a valuable product for customers.

Next, the Cabinet announces that it is bringing a customer service orientation to government. It introduces legislation to create a framework for measurement in the civil service. Departments must define what service they will provide their customers - the taxpayers. They start to use modern, private sector accounting systems so they can figure out what it costs to provide a unit of service. Departments start to pay taxes, market rent on office space, and interest on borrowed money, so there is a level playing field to compare costs between providing a service "in-house" and buying the service from outside suppliers. Finally, the Cabinet would require each department to make a "profit" on the services it provided.

Premier Gary Filmon: It's not too late. He could still reinvent government.

What would happen?

Manitoba would have a modern "new paradigm" model of government that was customer oriented, focused on results and providing value for money. The "spend it or lose it" mentality in departments that wastes so much tax-

Services are seen as expenditures of money, not as activities which provide a valuable product for customers.

payer money would disappear. We, as taxpayers, would be able to measure just exactly what we get for our money. The requirement to pay taxes, fair rents, cost of capital, and make profits would make our civil service sensitive to real costs completely ignored in the present government structure.

The irony is that most government workers would welcome the cultural transformation caused by introducing the service-oriented business model into public services. Most recognize how wasteful the present model of government is. Many want to have more control of declining services and making individual spending decisions. Given the proper framework, the civil servant, as experience demonstrates elsewhere, is just as capable or competitive as his or her private sector counterpart.

Which gets us back to the unfortunate Bill 22.

Some government agencies already operate as bottom-line businesses. The Manitoba Lotteries Foundation is a good example. By means of efficient management, it has become a cash cow for our cash squeezed province.

When "Filmon Fridays" were forced on it, according to well-placed sources, employees that typically worked **extra** hours **on their own time** to get their jobs done well just stopped doing it. Provincial Judge Roy Meyers described the same process at work in the court system: "The backlogs grow, morale has sunk to an all-time low, and no longer do [judges work] long hours. . ."

"Filmon Fridays" penalize those who work hard as well as those who don't. They also rip off Manitoba taxpayers. The government spends about $5,000 of taxpayer money each year per person for provincial services. Taxpayers expect them to be there.

As the Conservatives gear up for the soon-expected provincial election, wouldn't it be nice for them to run on a platform of making government work better instead of making it work worse? There's not much time left. The Premier still can go down in the history books as the man who re-invented Manitoba's government, instead of the author of "Filmon Fridays".

Saving FAT

The great experiment that began the summer of 1964.

A summit of leading hunger experts convened and recommended sweeping changes to the way citizens met their food needs. The government implemented the "Maggie Stone" Commission Report shortly after that, and there was joy across the land. Nobody would go hungry again.

It was an ambitious undertaking but there was confidence and enthusiasm. The government established a spanking new Ministry called the "Food Administration Taskforce" (FAT for short). FAT's objective was to eliminate hunger by guaranteeing subsidized food to all citizens. Modern FAT facilities - public food stores - replaced the corner stores and supermarkets. FAT would end hunger by removing food from the vagaries of the marketplace. Of course taxes went down with lost jobs, but it was a noble cause.

The people in cities, towns, and villages rejoiced as their politicians cut the ribbon on spanking new FAT facilities. The construction and operation of FAT shops created jobs. And they were good jobs, high paying jobs, which brought stability to the community.

From the start, the Stone report cautioned about maintaining adequate FAT program funding. So people had to pay a flat fee per month to cover basic food costs and pay for the expanding FAT system. There were small deficits, but the government promised to subsidize FAT costs from general revenues. It raised taxes, but maintained it was for an equitable cause.

Some politicians promised to eliminate the flat fee to cover FAT costs. And they won an election. The food at the FAT depots was now free for all. What could be fairer?

But there were problems. Demand grew much faster than anticipated. The government responded by building more FAT facilities and hiring thousands of government workers to cope. Some groused about uneven quality and the lack of certain foods. There were waiting lists to get the more interesting foods. Some offered to pay for these food varieties. The odd FAT depot out in the country started experimenting with food fees.

About this time some commentator suggested that the whole FAT arrangement was wasting resources. What was wrong with the old system? She was shouted down. Columnists howled. And the government enshrined the principle of food fairness by passing a law that banned food fees.

Taxes started rising fast to fund the rising cost of FAT. Over 14,000 FAT administrators convened to explore solutions to food shortages, quality problems, and cost difficulties. FAT workers protested about the need to preserve food fairness for all and pressured the politicians to continue raising taxes to save the system and stop hunger.

At an emergency summit FAT officials presented politicians with progressive solutions to save their system. A "get tough" plan by an assistant deputy minister from the Asparagus Division and the special advisor on economic development at the Ice Cream Directorate saved the day. A new Royal Commission would report in 2 years. The government also hired a consultant to make another report. Meanwhile, since the people didn't want to accept the responsibility of paying higher taxes, FAT would save money by cutting costs.

The politicians accepted the plan to save FAT jobs. It raised taxes as usual but also introduced innovative and responsible cost saving measures. They agreed to close all FAT facilities down a few days every month. The workers snidely called them "non-fat" days.

No food for a while. It was fair. The politicians had saved the FAT.

Jim, the 60s are over

Governments, not corporations, rip off the people today

By now Manitoba Consumer Affairs Minister Jim Ernst probably has lined up some tickets for the Woodstock Reunion.

Ernst sounded a little like he was back in the 1960s at the end of June, when he fomented about an increase in gasoline prices. "We will not stand for any gouging," he ranted, calling oil companies a "cartel in operation" and demanding that they explain the increase.

We hope Jim was not pandering to the uninformed voter. Still, his comments were unfortunate when you consider who the *real* gougers are. As of 1992, the average Canadian family paid out over $738 per year in gas taxes. At the beginning of 1994, almost half of the price of gasoline went for taxes; 12 cents a litre for the big spenders in Ottawa and 14.4 cents a litre to their counterparts in the provinces. Mr. Ernst's government has been easier on taxpayers than the alternatives. Still, his government hits motorists to the tune of 11.5 cents a litre. Total gas taxes in Manitoba, as of April, 1994, amounted to 47% of the pump price. Drillers, refiners, distributors and dealers get what's left.

While we're talking about it, let's take a look at the real cartels that are destroying the purchasing power of Manitoba families. Curiously, we seem to find them all operating with great comfort out of the public sector. We observe the Manitoba Liquor Commission booze monopoly, the tax-exempt Manitoba Telephone System fighting competitors, a government health monopoly that can't handle its duties and tax-exempt Manitoba Hydro with its huge debt. And then there is the City of Winnipeg where taxpayers bear the costs of running a series of high cost service cartels.

We could go on and on, but you get the point.

Jim, forget about bad oil companies. It doesn't wash. The monopolies and cartels in Manitoba operate in the public sector today. They have a habit of constantly raising their prices (more taxes and higher salaries) while lowering their services (Filmon Fridays), just like the economics textbooks would predict.

We all need to wake up and smell the roses. Break these cartels by ending the closed delivery market for various public services. It'll help taxpayers. You may just find it an easy way to win the next election.

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So what's the big secret?

Efforts to find out how much former Premier Ed Schreyer is collecting in pensions from taxpayers have run into a stone wall.

"The office of the Secretary to the Governor General is not governed by the Access to Information Act," was the response to a freedom of information request filed by the AMT.

This response shows, above all, that the laws now in place are inadequate. Payments from the public purse should automatically be accounted for, in detail, as a basic principle of representative democracy.

What we were able to find out is that $255,000 a year is currently being paid out as "Annuities payable under the Governor General's Act". Since all former Governors General except Schreyer have assumed room temperature, it's a safe guess that most of this money is going to him.

Not all of it would be straight salary; some of that sum likely allows for an office allowance. Mr. Schreyer has an office in Winnipeg, and one staff member, part-time. She refused to tell us the amount of his GG's pension, but said it was less than half the above amount. She also claimed that Schreyer donated the first five years of this pension to the Canadian Shield Foundation, a conservation organization he started.

The former Premier's Manitoba pension is on the public record; last year, he received $24,066 from the province. The sum seems paltry compared to recent retirees, but remember that Schreyer was out of office before fancy pension plans were enacted (since ended by the Conservatives). He receives no pension from his term as Member of Parliament because he served less than the six-year minimum for eligibility.

Ed Schreyer's current activities draw on tax money in a couple of ways. He is a director of the Saskatchewan Energy Conservation & Development Authority, and receives a $155 per diem allowance, plus expenses. He lectures occasionally at a number of universities. He also donates much of his time to a number of charitable and ecological groups.

After his term as Governor General, Ed Schreyer served as High Commissioner to Australia.

If you want an adventure in bureaucracy, try phoning External Affairs in Ottawa. You'll wish you hadn't. We have had no luck finding out whether Mr. Schreyer is on their pension list as well. It's your money. Oh well, isn't representative democracy fun?

The pink elephant

Politicians "creating" jobs with your tax money

by F.W. Weatherstone

The last federal budget pledges to boost tax dollars for research and development. Will this new money create all kinds of employment, as promised?

The National Research Council's building in downtown Winnipeg was supposed to do just that. Instead, it became a political football, derided as a "pink elephant". Despite the best PR efforts, not much more was produced than a deep hole in taxpayers' pockets.

The elephant was born, with much fanfare, in May, 1983. Lloyd Axworthy, Mr. Liberal in the West, said the purpose was "to build up in the central part of the city a critical mass of professionals." Construction, started in the fall, was estimated at $41.4 million, and the building was to employ 175 people.

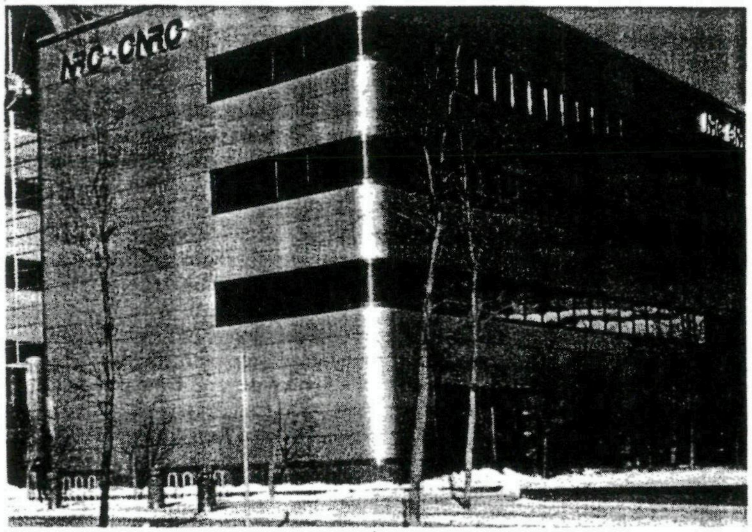
The "high-tech think tank" was perfect for Manitoba, according to a local economist. "It will produce stuff you could carry around in your hip pocket." He hailed low start-up costs, Winnipeg's location, and its cultural that appeals to highly educated le. Would Winnipeg become the microchip capital?

A $19 million annual operating budget would pay for research into computer-aided design, robot mechanisms and sensors, and artificial intelligence. In February, 1984, facing an election, the Liberals continued to trumpet private sector involvement. "It's no secret we've talked to Westinghouse," said an Axworthy policy advisor.

But electoral fortunes proved fickle. When Mulroney's Conservatives took office, they scrapped plans to staff the centre, because the Liberals hadn't budgeted the operating costs. They would try to privatize the building.

Axworthy fought back. "It's not an initiative that can be wholly supported by the private sector. . . . The same way as governments provide highways or weather information -- so they must provide some common research facilities." At the end of 1985, with the building empty, he complained that a year of activity was already lost. "Once again we've got a big fat hole in the doughnut."

Who wants to be against progress and science? Stung by his attacks, the ies responded with a $100,000 task e to recommend a use for the building. But embarrassing media reports mounted up -- no tenants, no research contracts, no firm prospects and $2 million in scientific equipment sitting around in crates. "[It costs] $1 million a year just to keep the pipes from freezing," worried an NRC spokesman in February, 1986.



Then Manitoba Industry Minister Eugene Kostyra* suggested that the Feds had "left Manitoba with a corpse." Axworthy said Ottawa could have kindled initial activity and then withdrawn gradually but instead "fumbled and bumbled away" a world-class research centre. The Red Cross tried to move in, but they needed two-thirds of the space and were turned away.

In the spring, the government caved in to the pressure. They coughed up $14 million in taxpayer cash, half from the NRC and half from a slush fund called Western Diversification. They agreed to pay overhead for 5 years, install $6 million worth of equipment and provide 20 NRC scientists. Their task force predicted a minimum of two years before private sector participation. But "what does that matter? It leaves room for expansion." They said the building could be self-sufficient within 5 years.

By May, 1986, the centre had three NRC researchers and a commissionaire occupying the space of two football fields. Operating costs were running around $3-4 thousand per day, but the NRC insisted that the building would be full after Christmas. A spokesman talked about 8 projects, including Pratt & Whitney. "These are real projects. They're not imaginary."

The head of the new entity, the Canadian Institute for Industrial Technology, said in August that a dozen groups were moving in, but warned of difficulty in finalizing deals. "If things get screwed up, it could take as much as 26 weeks. That's the real crux of why the building's still empty." He predicted "synergy" between universities, companies and government. "We have an opportunity for all these people to work together. You're not going to be able to measure the building's performance in cash dollars. .. Once we're successful, we'll attract people from all over the world."

Six months after the search for tenants began, the CIIT had yet to sign a lease. The CIIT's manager again: "It may be a long time in terms of a hockey or baseball season, but not in terms of what we're trying to do here. We are not disappointed." He speculated the centre would produce something with an impact on the national economy within 2 years. The Manitoba Research Council, which had promised to occupy a third of the space, reneged; the NDP was mad at the Tories for sliding the CF-18 jet maintenance contract to their friends in Montreal.

The building soon became more attractive. A new $1.8 million computer arrived. Tenants were offered the use of it, and access to NRC scientists, at the cost of $18 per square foot per year. The NRC would go lower for some tenants. For taxpayers the news was bad: "We're not trying to make money on renting the building."

This sweetheart deal finally produced some real private sector interest. Projects were signed with 10 companies, occupying 30% of the space. Once again, there were rumblings of discussions with several others, unnamed.

In September, 1987, the CIIT's executive manager said demand for space was heating up, and the building should be fully leased in a year. He claimed 46% occupancy by 22 firms. But he cautioned that even when full the rents would cover only 80% of the $1.2 million annual operating cost. He said self-sufficiency would take 5 years.

Lloyd Axworthy was not happy, and called the facility "a holding tank for some companies". The Winnipeg Free Press talked about a "bunker mentality".

Rainer Anderson, executive director of Industrial Science & Technology Canada, described the follow-up assistance available after research contracts ended. "We don't just send them out into the cold, dirty world with a piece of technology on their hands. We point them to other government departments to help."

Auditor-General Kenneth Dye weighed in around Halloween, citing a lack of planning, a downtown site that cost $2.5 million more than alternatives, and shortcuts in building that resulted in higher costs. "Put simply," he said, "the major criteria were shovels in the ground by October '83, and 60% of the funds spent by 31 March, 1985." Taxpayers had spent $3.8 million to maintain the building while empty. Axworthy responded that his people had thoroughly studied the centre's viability. An NRC spokesman said occupancy was 50% with 23 tenants.

The official opening, November 26, 1987, witnessed more wishful thinking. St. Boniface MP Leo Duguay crowed, "It's about time we started

Continued on next page

We made several phone calls to Mr. Axworthy's office to obtain his photograph. We were told they had "run out" and that Lloyd was too busy to sit for another one. We will use this artist's rendition until Lloyd's staff bothers to supply us with one.

* *Now Manitoba's regional director for Canadian Union of Public Employees (CUPE)*

continued from previous page

talking about how full the place is." Federal Science Minister Frank Oberle predicted a world-class showpiece of government and industry working together. He said negotiations were underway with another dozen prospective clients, whom he wisely declined to identify.

The new year brought talk about expansion, adding two more floors at a cost of $8 -12 million. The CIIT's marketing director, insisted, however, "It's not a pipe dream and it's not just speculation." A new 10-year plan was drafted. The original intent to make the building self-sufficient in 5 years was called silly and impossible. "It's going to be a document where we are going to dream a bit. But they have to be realizable dreams," said the plan's author. 25 tenants now occupied 65% of the space.

For the rest of 1988, the CIIT's image machinery went into high gear. "Many times the best innovations arise by accident, from research done for the sheer pleasure of discovery," said one official. Another explained: "Ultimately when the partners leave the building, they should actually start manufacturing the product they designed. This in turn creates economic wealth by creating new jobs." By August, occupancy was 65%, but "on target" for 85% by March, 1989.

In November, we heard that the "white elephant" image was fading. "You don't develop an international reputation in research and development overnight," cautioned the executive director. "It needs time to mature." Manitoba MP Jake Epp said the building had been a "pink elephant under the Liberals." The NRC building was still 65% full.

In January, 1989, a Free Press columnist succumbed to all the guff and predicted that soon there would be "almost certainly some breakthrough." She spoke of Bell-Northern moving in, and Sherritt-Gordon Mines. The NRC was a partner in 50 proposals to spend $1.3 billion in new taxpayer money Mulroney was promising for research. This cash had a lofty title -- the "Centres of Excellence" program. Symbols continued to triumph over substance.

By March, the Pink Elephant was 65% occupied. The CIIT said it was now focused on the second part of its mandate -- promoting educational awareness, through seminars. And what better way to do that than offer the Institute's conference room facilities? The downtown location made it a convenient meeting place for many businessmen. "I look at Winnipeg as an ideal location. It's right in the middle of the country," the manager said. Coffee, anyone? In June, we heard good news about the "consortium concept", "synergy" having bit the dust. In October, a new machine costing $340,000 arrived. "It's almost like a catalyst," the latest spokesman gushed.

Thankfully, at this point somebody put a lid on all the taxpayer-financed hot air. The continued failure of the private sector partnerships to produce products or jobs could not be explained away by public relations. And change was in the wind.

In August, 1991, Lloyd Axworthy lobbied the Tories to send his baby to the doctor. He spoke of a plan to research new ways to diagnose disease. The project would employ 70 "top-notch" scientists and need another $14 million for start-up. Lloyd urged Winnipeg to act fast to snag it. "By September 15, it's fish or cut bait," he warned.

This time the Feds fell into line quickly. In October they announced a new nuclear magnetic resonance facility. The $14 million was approved, $8 million to update the 5-year-old building and $6 million to upgrade the computer system. Western Diversification Minister Charlie Meyer continued to puff the project's public benefits. It "will result in spin-offs," he said, and claimed that Siemens of Germany and General Electric were lined up to participate.

The new plan went into effect in March of 1992. The CIIT was closed. Most of the private tenants had to seek cheap rents elsewhere. Some went out of business, even though the shock was tempered by taxpayer buy-outs and assistance like guaranteed loans and contracts for government work.

Although the new Institute of Biodiagnostics has phased out most of the tenancies set up by the CIIT, the rhetoric about Canadian manufacturing jobs continues today. The literature is full of references to industrial linkages. But at least the medical research now underway may have direct benefits for Canadians that pay for it.

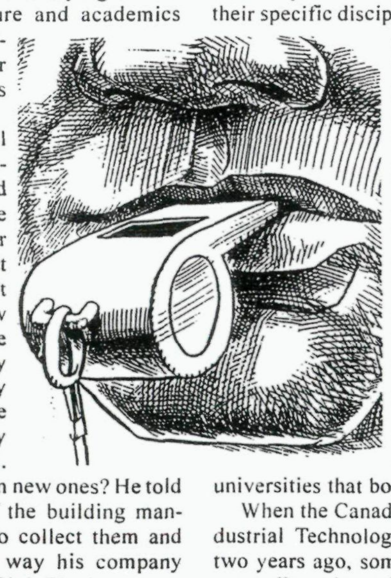
What value did taxpayers receive from the pink elephant in its previous incarnation? It's hard to tell. Our sources inform us that a remote-controlled metering gadget found success in the real world, and Comcheq of Winnipeg bought a computer software company that developed a marketable product. There's no public evidence of any other benefit from it.

Perhaps the best lesson, albeit an expensive one, taxpayers can take is to beware of governments that try to mix science and politics. And to distrust politicians who claim they can create jobs and new technology by mobilizing tax money to build monuments to their tenure in Ottawa.

The whistleblower

(From someone who worked in the Pink Elephant for two years.)

Conflict arose in the Pink Elephant between private sector partners and government scientists. Trying to mix the business culture and academics produced high levels of frustration for the entrepreneurs that leased space.



One successful partner was so disgusted he moved out before his lease expired. Another tenant found that the NRC hadn't cashed his last few rent cheques. Three years later, they called him to say they'd found the cheques, but they were stale-dated. Could he write them new ones? He told them he would, if the building manager came down to collect them and apologize for the way his company was treated in the Pink Elephant.

The NRC had a machine shop full of state-of-the-art gadgets, including sophisticated lathes and milling machines. But the equipment was supervised by a government technician who wouldn't allow anybody to touch it. Tenants and business clients who were excited about access to the technology said they felt they were shut out, while "nonsense research" was pursued.

He says NRC scientists are good in their specific disciplines, but don't understand real-world business problems. "They spend their time in outer space," our source claims. "For some the biggest priority was how to figure out a way to leave at 2:30 p.m." Many computer software programs produced by one group were sold, but never used by the government departments and universities that bought them.

When the Canadian Institute for Industrial Technology closed its doors two years ago, some NRC employees were allowed to take technology with them. With the help of guaranteed contracts and loans, they established private companies, but most of their business comes from government departments. Taxpayers continue to pay.

A typical N.R.C. partner - profile

The partnerships between government and the private sector that the NRC set up for the Pink Elephant were supposed to generate the products of the future, and high-wage manufacturing jobs. Instead, they typically produced a strange hybrid -- small businesses with no clients except other government departments.

One example was actually the first company to sign a lease -- a computer software outfit called CAD Systems. Started in 1987 by a systems analyst, CAD's field was computerized design systems for space satellite communications equipment. Its president said market prospects were good, because few companies were doing such work despite strong interest. He touted a joint venture with a company in Copenhagen.

A year and a half later, in August, 1988, CAD's work had changed. Now the software was to create two and three dimensional graphic charts and illustrations. "When we launch, by Christmas this year, we hope to capture 10% of the market within a year," said its founder.

In the meantime, CAD was scouring the public treasury in a variety of ways. Staff were hired with a Manitoba Jobs Fund grant, the federal Department of Communications kicked in money for product testing, and the Department of External Affairs provided a grant for market development, including a tax-funded trip to Copenhagen.

CAD blames a lack of marketing capital for the failure of its products to take off commercially. "Companies like IBM and Xerox spend hundreds of thousands of dollars in marketing strategies. There's no way we can keep up with that," we were told.

Unlike many of the NRC partners, this company has survived in the real world, and still employs 4-5 people. Its major customers are Winnipeg's Health Science Centre and the Department of Defence.

Manitoba Barneys

by Peter Holle

As the proud father of 6 month old Eric, I know the challenge of a crying baby. When all else fails I have a secret weapon to preserve my sanity.

Barney.

Barney is a happy purple dinosaur. He has his own children's TV show where he dances around and sings happy songs with little friends. Barney is very popular with millions of young minds across North America. Eric loves Barney. He stops crying when Barney's formidable form graces the screen.

Recently, while Eric was observing Barney's fantasyland, it occurred to me that Barney has a lot in common with those prominent fixtures in Manitoba's own magic political landscape - the Crown corporations. Let's just call them government companies - large corporations that cost taxpayers a fortune.

Manitoba's government companies are from a bygone era, forlorn relics of a simpler time when a lot of folks believed governments and politicians could run large organizations and the economy efficiently. Now only tenured academics, a lot of politicians, and the odd teary-eyed newspaper columnist believe this.

Like Barney, government companies are dinosaurs. Not a purple fantasy dinosaur - but expensive economic dinosaurs. As political organizations they are slow, ponderous, and not positioned to survive today's global economy. We find them loaded down with expensive taxpayer-subsidized debt. Subject to constantly shifting political whims, they absorb many taxpayer resources. They drift along with little accountability or useful direction. Creatures from yesterday's politics, they have trouble pulling their weight in a competitive world.

Barney, on the other hand, is faster on his feet. He has to be. He has to compete. No kiddy show monopolies here. The concept of monopoly is dead in the real world outside government. Barney could never rely on politicians for his survival like government companies do. Barney has no choice but to pull his weight or his show gets cancelled. You see, Barney is accountable for results. His performance is measured. He has clear objectives. He must provide value for money. Barney must be successful or die, for he gets no taxpayer subsidy.

Unfortunately, government companies try to be all things to all people. They don't have clear objectives. It shows in the poor value for money they provide taxpayers. High costs, disguised losses, special privileges, no real accountability. Mostly hidden, of course.

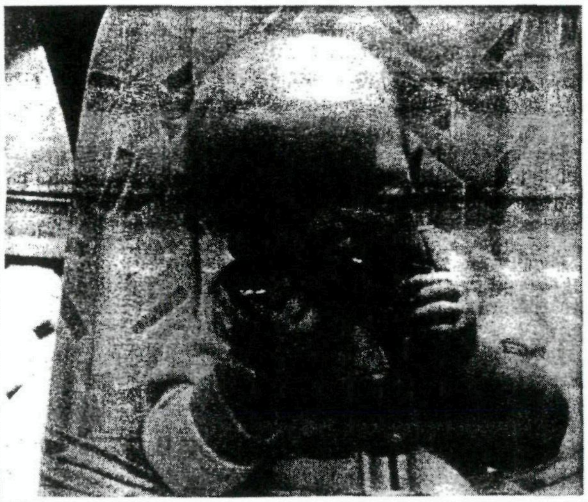
In many respects, Manitoba government companies are similar to the happy, purple dinosaur. Many people have warm and fuzzy feelings when they see Barney, or for that matter, a Manitoba government company. Both make cuddly and entertaining toys. For our children and for our politicians.

It is safe to say, that our politicians love getting their pictures taken with either. Barney and our government companies both look good on T.V. This has great appeal since Manitoba politics is still more about appearances than facing up to hard and very unpleasant realities.

Despite recent news reports, Barney will probably outlast Manitoba's government dinosaurs. People like Barney because he listens. Barney is affordable. Barney is not used to buy votes at great expense to everyone else. He has a lower pension and contributes his fair share to society. Barney (the show) pays income tax unlike Manitoba's tax exempt government companies.

The fantasy is over. Countries and cities everywhere are racing to end the illusion. They are selling their state-owned dinosaurs, taking the money and paying down unsustainable government debt. Smart politicians today sell their toys and get on with the job of building a competitive, consumer and taxpayer responsive economy where every sector pays its fair share.

Let's remove the dead hand of politics from these companies. Let them flourish free from bureaucracy and obsolete philosophies. It's time to sell our government dinosaurs. It's time to pay down the debt. It's time to make these corporations pay their fair share of tax like the rest of us.



Eric Holle chews on Barney

Hockey player can't beat taxes

Unpleasant reality for NHL fans

Last September, Winnipeg Jets player Phil Housley was traded to the St. Louis Blues after he said he didn't want to play for a Canadian-based team because of high taxes. Housley's annual salary runs around $2 million.

After a disappointing season in Missouri because of a back injury, poor Housley found his talents on the block again. and he was recently traded again. This time he went to the Calgary Flames. He doesn't want to go.

The only solace we can offer Mr. Housley is that at least Albertans have the lowest personal taxes in Canada. It could have been a lot worse.

Meanwhile, some Winnipeggers continue to think that a new tax-funded arena will save NHL hockey in the Manitoba capital. Not likely, with Canada's uncompetitive taxes and the falling value of our Loonie.

Good Luck.

Phil Housley, former Winnipeg Jet

Member profile

Who are the members of the Association of Manitoba Taxpayers (AMT)? What are their concerns? Why do they support the AMT? From time to time, the AMT will profile some of its members who come from all walks of life.

Jack Coulson
Teacher, Sandy Lake

Jack Coulson represents the best of Manitoba's school system -- he's a dedicated teacher. After spending four years as a principal in Sandy Lake, he asked to be transferred back to the classroom because he found it more rewarding than administration. He's married to a nurse, and has a son, 12, and a daughter, 11. He teaches all Grade VIII subjects. He took up teaching after running a farm in Sandy Lake for six years.

Jack came to our attention when we heard that he was using *The Taxpayer* in the classroom. He brought articles from back issues to school, and then asked his language arts class to write letters to their Member of Parliament about the issues raised. "They were outraged by the wasteful spending," he said. He also copies articles and graphs and puts them on the bulletin board in the staff room, where they are roundly debated.

Jack's major concerns as a taxpayer are government deficits and debt. "It can't go on. At some point in time, this is going to stop." He fears a collapse of Canada's credit, and would like to see government grants and loan guarantees reined in.

He is also fighting hard against apathy. "I try to get people past the feeling that there's nothing we can do." He thinks that individuals are not letting the politicians know how they feel. He would also like to see government bureaucracy tackled, "to empower people who are working in the system to make decisions."

Jack Coulson

Is Saskatchewan killing cost-cutting opportunities?

Saskatchewan's new labour legislation is making national headlines. An editorial in the *Globe and Mail* says "it's astonishing" that the government of a province losing tens of thousands of people and jobs would be so eager to scare off new investment and ensure a "high-tax regime".

The editorial concludes, "there is no explanation for these measures, except Mr. Romanow's desire to reward his political friends... by shielding a privileged class from the performance demands and economic realities faced by less fortunate workers." These are pretty harsh comments, but they raise some important questions.

The proposed changes are complex and wide ranging. Strangely enough, there has been little discussion within Saskatchewan, where the legislation is ...cally summed up by the ...ia as "legislation that gives benefits to part-time workers."

Of course, this is a dangerous over-simplification, but it plays well into the hands of government -- the focus is taken away from the real implications. Changes to the Labour Standards Act (Bill 32) that increase benefits for part-time workers are of concern to businesses, but may not be a huge taxpayer issue.

However, changes to the Trade Union Act (Bill 54) should be of real concern to taxpayers. There are elements of this Bill which will virtually outlaw any level of government from lowering wage costs. Section 33 states that no public sector union can ever be asked to settle for a tax dime less than they make now. Section 37 of Bill 54 says that no provincial government department, no Crown corporation, no hospital, school, university or municipality can contract out certain services, unless all current union benefits are transferred with the work.

Janitorial, security, and cafeteria work will become government monopolies. These aren't front line services in the emergency rooms of hospitals -- we're talking about basic services that many private businesses contract out. It will now be illegal to contract this work out -- even to private sector unionized workers -- unless they receive all the wages and privileges of government workers. Who else can afford to provide public sector union benefits -- except taxpayers who have no choice?

Saskatchewan faces a deficit crisis. Taxpayers who were hit with massive tax hikes over the past three years were told that we must all share in balancing the budget, in fixing our fiscal mess. The facts speak for themselves, and ignoring reality serves no purpose. Since 1987, Saskatchewan has lost 35,000 people and about 16,000 jobs. According to the Provincial Auditor, our gross debt had risen to $20.5 billion by 1993, up from $17.9 in 1991. The road is still long.

As all levels of government across Canada struggle to deal with out-of-control costs, millions of dollars are being saved by contracting out services. In many cases the quality of service has risen while costs have dropped. Taxpayers are quickly learning that governments can't be fully trusted to spend tax dollars wisely.

The privileged public sector unions in Saskatchewan see the writing on the wall, and have succeeded in pressuring politicians to outlaw these popular solutions.

There is only one taxpayer for all levels of government. When all governments, from hospitals and municipalities to Crowns corporations, are prevented from controlling the most basic costs -- expect more taxes and cuts to front line services.

The big losers in the new labour legislation will be taxpayers who will be forced to pay more, as the government seeks to appease its union bosses.

A Taxpayer Protection Act for Saskatchewan

The Taxpayer Protection Act of Saskatchewan (TPAS) would legislate:

- A balanced budget by 1996 and outlaw future deficits, except in the case of emergency. This would make it possible to eliminate our net debt over the next 25 years.
- Protection from a higher tax burden, by allowing citizens to vote in a referendum to approve all future tax hikes.
- Financial penalties for politicians who break the law.
- Protection from inadequate accounting principles, which have been used in the past to hide true debt and deficit figures. The TPAS encompasses the more complete accounting recommendations of the Provincial Auditor.

Dear Premier Romanow

The people of Saskatchewan have spoken: In 1991, Saskatchewan citizens voted 80 % in favour of balanced budget legislation. Saskatchewan's future is crippled by a $20 billion gross government debt burden. We can't start dealing with that until we stop running deficits.

Mr. Romanow, it is time to listen to the people who are calling for balanced budget legislation with proper accounting practices, penalties for politicians who break this law, and taxpayer protection from even more of the huge tax hikes we've seen in the recent past.

I am calling on you to implement The Taxpayer Protection Act of Saskatchewan.

Name:______________________________ Signature______________________________

Address______________________ City/Town: ____________________ Postal Code______________

Please fill out this coupon and mail it to: The Association of Saskatchewan Taxpayers, #110 - 438 Victoria Avenue East, Regina, Saskatchewan, S4N 0N7 - Please photocopy and distribute this coupon.

What's the big secret at the Canadian Wheat Board?

by Moira Wright

Officials at the Auditor General's office in Ottawa consider the Canadian Wheat Board (CWB) to be one of the most secretive government agencies in Canada.

The Wheat Board is a Crown agency that the government set up to exclusively handle the sale of wheat and barley for Western Canada. While the government does not fund the agency, it does guarantee its debt.

One of the concerns about the CWB is that it's not subject to the Access-to-Information Act as is the federal government. Therefore, individuals can't make official requests for information on how it's being run.

As well, Canada's Auditor General, who audits the operations of the government, looking for areas of inefficiency and waste, is not allowed to audit the agency as he regularly does other departments.

The CWB is responsible for selling grain on the open market and, once it deducts operating costs, it distributes the proceeds from its sales. Since farmers are picking up the tab for the CWB's operations, they should be able to find out if their money is being wasted or poorly spent.

A recent cause for concern has been the rapid rise in administration expenses at the Wheat Board. They have risen dramatically from $26.85 million in fiscal 1987 to $37 million in 1993, a 38% increase in just 6 years.

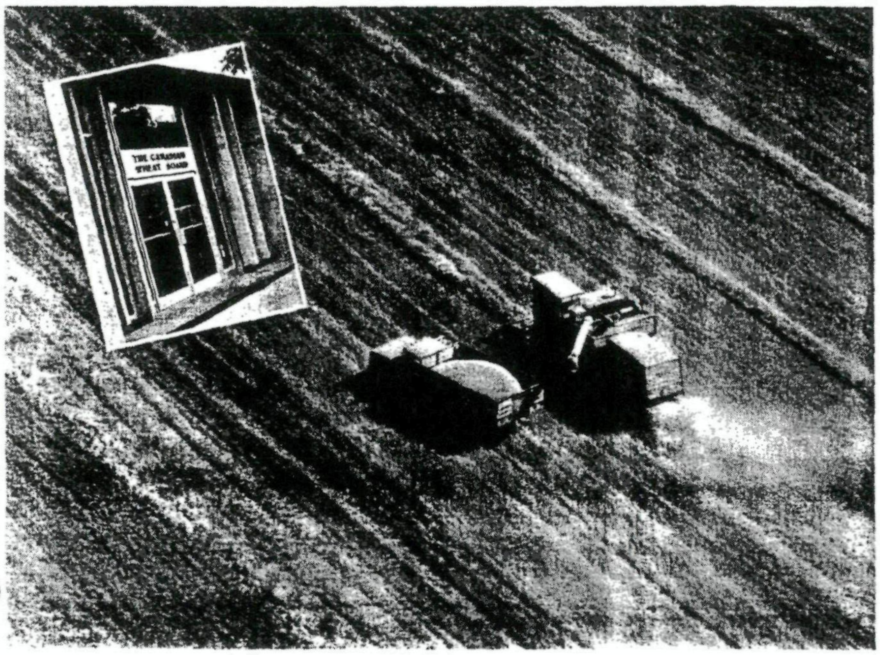
The staff costs alone have risen from $17.1 million in 1987 to $22.9 million in 1993, a 34% increase over 6 years.

While the bill that grain farmers have paid for staff costs and administration at the Wheat Board has seen a hefty increase, the total tonnage of wheat and barley produced in Western Canada has not changed substantially between 1987 and 1993. According to Statistics Canada, almost 37.64 million tonnes were produced in 1987, and 39.3 million tonnes in 1993 - an increase of a mere 4%.

The Canadian Taxpayers Federation recently made a request to the Wheat Board asking for a breakdown of salary structures. Because the Board is not subject to the Access-to-Information Act, it's under no obligation to release any information. However, there is nothing to stop them from volunteering the information. The Wheat Board said "no" to this request.

Nevertheless, while the Wheat Board refused to release its salary scales, it did say that it had about 450 full and part-time employees. From this we are able to determine the average employee at the Wheat Board, whether full-time or part-time, receptionist or commissioner, earned average pay and other benefits of about $51,000 a year in 1993.

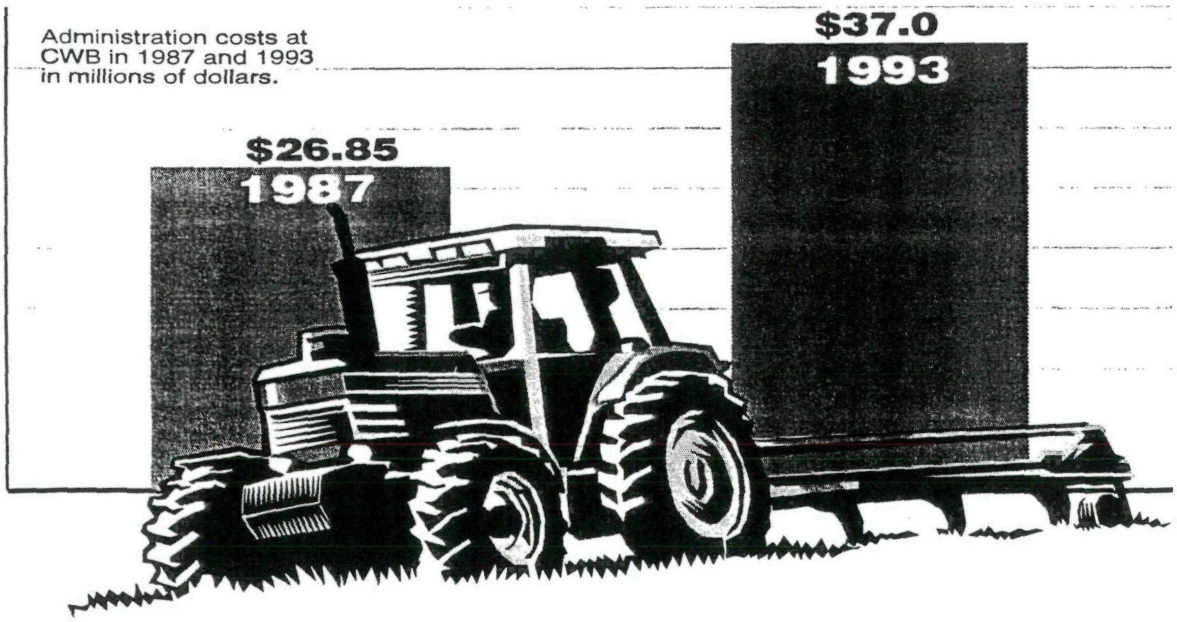
So, the next time you see a farmer with back problems, you'll know the reason -- it's from carrying all that overhead on his back.



Farmers' costs to administrate the Canadian Wheat Board have risen dramatically over the last six years.

Farmers pay more for the Canadian Wheat Board

Administration costs at the CWB have risen by 38% between 1987 and 1993, while wheat and barley production only rose by 4%.



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Moira Wright

How many fingers in the farm pie?

How many government paper-shufflers does it take to regulate, study, inspect or otherwise "administer" Canadian farmers?

In 1940, when there were about 600,000 farms and only about 2,200 federal farm bureaucrats, each government worker served over 270 farms.

Today, however, there are about 20,000 employees at Agriculture Canada and the provincial agriculture departments. A recent news report indicated that there is at least one agricultural civil servant for every six viable farms in Canada.

But the study confined itself to agriculture department staff. What about the hundreds of other government boards, agencies and commissions who also have their finger in the farm pie?

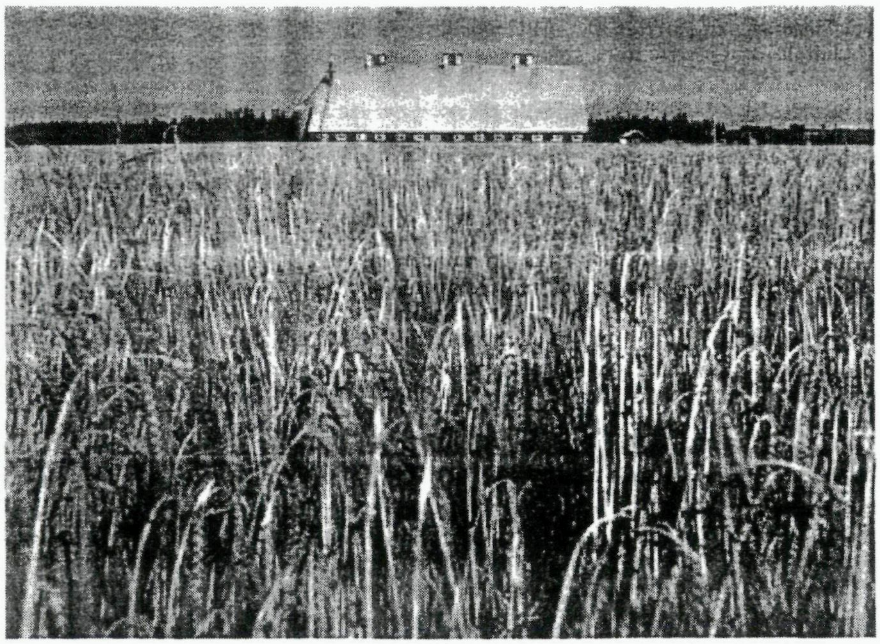
When you consider everything, from the Canadian Wheat Board to the Farm Credit Corporation, the list is huge. We estimate there may be at least as many "agricrats" at other departments and government-mandated farm agencies as there are in the actual agriculture departments.

This means there could be as many as one "agricrat" for every three viable farmers! The cost of maintaining these massive bureaucracies has risen almost as fast as the price of wheat has fallen.

In some cases we found the average salaries at government agencies, such as the federal Grain Transportation Agency, to be as high as $63,600. One of the lowest average salaries we came across was $44,900 at Agriculture Canada. These salaries are considerably higher than the average net income of most Canadian farms, even in the best of times.

What has been the result? The cost of agricultural administration has risen dramatically, while the financial situation of the average farmer has taken a drastic fall.

The question we have to ask ourselves is: Just who is farming the farmer?



Agriculture Canada pays out nearly $600 million in personnel costs to hand out just $1.2 billion. That works out to $50,000 in salaries for every $100,000 in grants.

Greetings from the Western Canadian Farm Progress Show

The Association of Saskatchewan Taxpayers (AST) recently manned a booth at the Western Canadian Farm Progress Show.

Approximately 3,000 people visited the booth. Most had never before seen the 8 foot high, 12 foot wide Debt Clock - with its numbers spiraling upwards at an alarming pace.

Attendees were astounded to find out that our $42.6 billion ($170,000 per family of four) debt is increasing by $51 per second as a result of deficits. The interest on this growing debt costs $2.84 billion per year - $2,900 annually per person. The $42.6 billion includes Saskatchewan's 3.6% share of the national debt.

Total Saskatchewan Debt

*Estimated August 15, 1994**

Estimates of the federal and provincial debt as of August 15, 1994 show that the average Saskatchewan family of four now owes $170,179 in total government debt.

That debt is growing $4.5 million a day!

The debt of the average Saskatchewan citizen

Provincial debt[1]		$20.841 billion
Sask's share of federal debt[2]		$21.993 billion
Total debt		**$42.834 billion**
Increase in total debt (deficit)	Per day	$4,483,356
	Per hour	$184,932
	Per minute	$3,083
	Per second	$51
Debt per family of four[3]		$170,179
Interest costs per family of four	Per year	$11,600
	Per day	$31.78

*August 15, 1994 is 136 days into the 1995 fiscal year (therefore 37.26% of estimated deficit applies). 1.At March 31, 1994 estimated program debt $15.16B. Crown debt $5.61B - total provincial debt $20.77B. March 31, 1995 provincial deficit forecast $189M. Source: Province of Saskatchewan Budget Address, 1994. 2.At March 31, 1994 estimated program debt $511B, Crown debt $85B - Saskatchewan's share (Note 3) $21.46B. March 31, 1995 federal deficit forecast $39.75B - Saskatchewan's share (Note 3) $1.43B. Source: Government of Canada Budget Address, 1994. 3.Saskatchewan's population of 1,006,800 (or 251,700 families of four) is 3.6% of Canada's population. For the purposes of this illustration, Saskatchewan is responsible for 3.6% of the federal government debt. Source: Statistics Canada, April 1, 1994.

The cost of driving in Saskatchewan

By Ned Ismail

Recently I was told that Saskatchewan is the cheapest place in Canada to insure a car. Since SGI has no need for profits, it can supposedly provide cheaper insurance.

The Association of Saskatchewan Taxpayers decided to compare car insurance rates in Saskatchewan with our neighbouring provinces. This pitted SGI against another government-owned insurance corporation in Manitoba, and private insurers in Alberta.

The Alberta situation is unique. Since there are a number of private insurance companies vying for business the rates can be quite competitive.

There are many variables that can affect the price, so we based the rates on the following criteria:

- *Male, 40 years of age and married.*
- *Licensed for over 20 years.*
- *Neither he nor his spouse has had an accident or ticket in the past 6 years (in Manitoba a merit premium - after 3 years).*
- *The vehicle is used for pleasure and to drive to and from work (5 km).*
- *Price includes $500,000 liability insurance.*
- *A $500 Collision and Comprehensive Deductible (in Manitoba $400 Deductible).*

In our comparison (noted in chart below), Alberta insurers were lower than SGI in every case and Manitoba beat SGI in four out of six cases. Overall Alberta had the lowest price four times and Manitoba two times.

Competition saves taxpayers' money

Although this was not a comprehensive comparison, the study showed that when there is competition, people can save money.

We found out that private car insurers actually put their insurance "on sale."

In fact, if they are willing to shop around, Albertans can see their insurance premiums go down over the previous year if they find cheaper rates elsewhere.

In addition, Alberta insurers offer a package of incentives to entice business, further reducing their already low rates. This can include:

- *20% discount on each vehicle (Liability and Collision) for buying insurance for two or more vehicles from the same household.*
- *10% discount to anyone over 55 years of age and retired.*
- *The cheapest rate for anyone licensed to drive for more than 20 years or who is accident free for 6 years.*
- *A 15% discount for anyone who remains accident free for 3 years with that insurance company.*

Further, the discounts can be stacked. A retired couple who are with their insurance company for three years, are accident free for six, and have more than one vehicle could qualify for a discount of up to 45%.

The Medicine Hat broker also said that he would be willing to haggle to get all my business and because private insurance companies run car insurance sales, he could switch companies.

As a monopoly SGI doesn't offer these discounts. In defence of its higher rates, SGI says Saskatchewan people are making more and larger claims. In other words, it's your fault, not SGI's, that your rates are so high.

Looking at the rates for a 1989 Ford F-150 1/2 ton, the costs range from $743 in Saskatchewan, to $542 in Alberta and $367 in Manitoba.

Does this mean Saskatchewan drivers have twice as many accidents as Manitoba's and 37% more than Alberta's drivers? Not likely.

SGI shouldn't be scared of a little competition. Let the private insurers into Saskatchewan and and we'll find out for ourselves, if our rates need to be so high.

Since private companies would have to pay corporate income tax, (something SGI doesn't do) letting private insurers in would cause car insurance rates to go down and the government's tax revenues to go up.

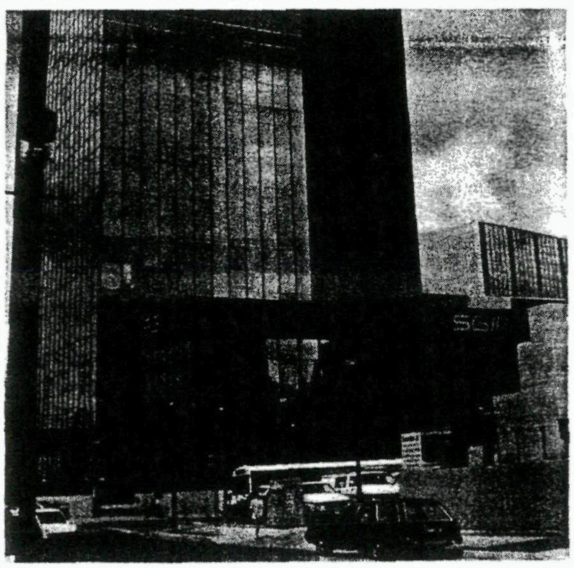
Tax or fee?

The following are the basic driver's licence fees for the prairie provinces. Another tax - you decide.

Alberta
$44.00/5 years
($8.80/year)

Saskatchewan
$25.00/year

Manitoba
$40.00/year



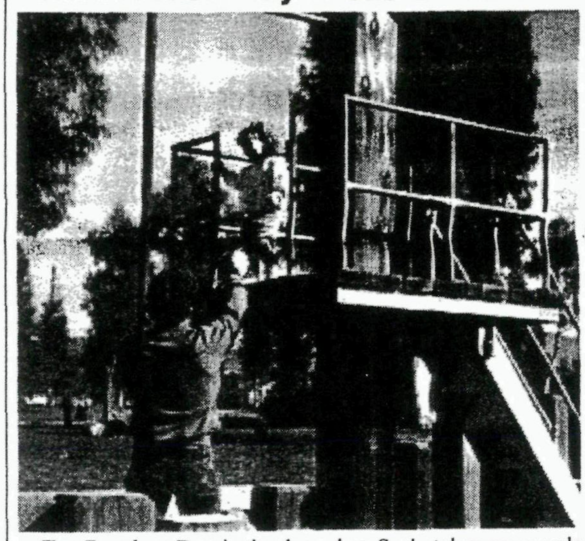
Competition in the car insurance market could reduce your rates.

A comparison of insurance costs for selected vehicles

Vehicle	*Alberta*	*Saskatchewan*	*Manitoba**
1987 Ford LTD - Crown Victoria	$502	$559	$614
1989 Ford F-150 1/2 Ton	$542	$743	$367
1989 Ford Tempo/Topaz LX	$542	$566	$558
1990 Chevrolet Cavalier (2 dr)	$542	$648	$558
1990 Honda Accord LX (2 dr)	$602	$637	$614
1992 Ford Escort GT (2 dr)	$661	$685	$614

*Prices include annual Department of Motor Vehicle plate registration. Alberta: $52 (all passenger vehicles). Saskatchewan: $58 (car) $85 (truck). Manitoba $48 (all listed passenger vehicles). * Manitoba prices include a 25% merit premium discount for remaining accident free for at least 3 years. Rates came from cities of relatively similar size: Brandon, Manitoba, Moose Jaw, Saskatchewan and Medicine Hat, Alberta.*

Tax Freedom Day in Saskatchewan



Tax Freedom Day is the day when Saskatchewan people finally start working for themselves. It arrived on June 30th this year.

This means in 1994 the average person worked 181 days for the various levels of government. In other words, 50% of our gross income goes to pay taxes.

Tax Freedom Day is calculated annually by the Vancouver-based Fraser Institute, and includes all taxes except deficits. Deficits are simply deferred taxes -- which will have to be paid back **with interest**. If we include deficits, Tax Freedom Day falls one month later, on July 30.

Since 1990, Tax Freedom Day has advanced 24 days from June 6 in 1990 to June 30 in 1994. If the tax grabs continue at this pace, it will take only 30 more years until everything we make goes simply to pay taxes!

Tax Freedom Day 1990 - 1994

Year	Day	Number of days
1990	June 6	157
1992	June 27	179
1993	June 29	180
1994	June 30	181

Tax Freedom Day not calculated in 1991

Is Alberta to be plundered again?

by Jason Kenney

Just mention the words "National Energy Program", and most Albertans will still light up with anger, with good reason. Thousands of jobs, businesses, and dreams were killed by the NEP, which amounted to the most damaging and discriminatory tax grab in Canadian history.

Chretien's NVAT would amount to the average Alberta family paying about $1,600 more in income and sales tax.

When the cost of the NEP is added to the impact of three decades of fiscal federalism, it turns out that Alberta has put $160 billion more into confederation than it has received in federal spending and transfers. That amounts to an average net "contribution" of about $2000 per Albertan for each of the past 33 years.

But it's not over yet. Along with British Columbia, Alberta is one of only two provinces to put more into the federal pot than it takes out. And by all accounts, we will continue to be the single biggest ox pulling the cart of confederation well into the future.

Albertans have always been generous people, and don't complain much about this state of affairs.

But things have begun to change. We've reached the time of our own fiscal reckoning, and many Albertans are experiencing real economic hardship as a result. So there's a limit to our generosity, a limit that the feds seem bound to test yet again, this time with their recently proposed National Value Added Tax (NVAT).

As outlined on page three, Finance Minister Paul Martin has proposed a 10% integrated VAT. The scheme is linked to a $6.5 billion federal flat income tax hike, which would cost an average Alberta family $750 more in annual income taxes.

If that doesn't get you steaming mad, remember that under Martin's plan Albertans will also end up facing a massive new sales tax, which will cost you nearly one-and-a-half times as much as the GST. The new NVAT would tax the same goods and services as the GST at a 10 % rate, with 60 % of the revenues going to the provinces, and 40 % being sucked into federal coffers. In other words, the Liberal government wants to impose what amounts to a 6 % provincial sales tax on Alberta. At the end of the day an average Alberta family would see its annual sales tax bill skyrocket from about $2,000 (under the current GST) to nearly $2,900.

Chretien's NVAT would amount to a $1.36 billion tax grab on Alberta, by far the largest in our history (except the NEP). Alberta taxpayers would be devastated, with the average family paying about $1,600 more in income and sales taxes.

Given the mammoth proportions of this tax grab, one wonders why the Alberta government has not been hollering its opposition from the rooftops. Perhaps their low key approach has something to do with the fact that the provincial government stands to pocket all of the new revenues generated by Martin's tax scheme.

To be fair, Ralph Klein has said that if the NVAT plan proceeds, he wants nothing to do with it, and has suggested that the federal government would have to find a way of rebating back to Albertans the new taxes raised. But that's not good enough. You'd have to look long and hard to find an Albertan who's prepared to cough up over $1,600 in new taxes, in the hope that high-priced bureaucrats in Ottawa will churn it around, and kick it back out to us in the form of rebate checks.

A lot of people think that Martin's tax grab is so outrageous it will never happen. Therefore it's not worth getting into a lather about. But, hopefully, most Albertans will understand that, like the infamous NEP, this threat to our livelihoods is too big and too important to be left in the hands of politicians.

It's time to strap on the gloves, and get ready for a good old-fashioned tax scrap with the feds.

Jason Kenney is the Executive Director of the Canadian Taxpayers Federation and also serves as the Provincial Director for the Alberta Taxpayers Association. He is based in Edmonton.

Jean Chretien's election promise to supposedly "kill" the GST may result in Alberta being plundered yet again by a massive tax grab.

Cost of Ottawa's proposed tax grab to Alberta

	Cost to Alberta		Cost per Family[3]	
	Sales Tax[1]	Flat Income Tax[2]	Sales Tax	Flat Income Tax
7% GST	$1,740,000,000	--	$2,013	--
10% NVAT	$2,486,000,000	$618,000,000	$2,876	$753
Difference	$746,000,000	$618,000,000	$863	$753
(Broad base)[4]	$3,280,000,000	--	$3,798	--
Difference	$1,540,000,000	--	$1,785	--

(1) Alberta Sales Tax numbers are estimates only - the federal government has not calculated the amount of GST revenues collected from Alberta. The estimate is based on the following assumption: slightly over 10 % of Canadian retail sales occur in Alberta, therefore 10 % of GST revenues arise in Alberta. The Department of Finance (Canada) states total GST revenues for 1992-93 to be $17.4 billion. The 10 % NVAT, levied on the same base, would collect $24.86 billion. (2) The flat income tax is to be charged on total income (before deductions). The latest personal income tax statistics are for the 1991 taxation year (Revenue Canada, 1993 Taxation Statistics), from which it can be ascertained that Alberta's total income is 9.5 % of Canada's. Since the proposed 1.25 % flat tax is estimated to raise $6.5 billion, Alberta's share would be $618 million. (3) "Family" statistics are based on calculations by The Fraser Institute, published in June, 1994. A "family" is composed of two or more individuals. The average cash income for an average Alberta family is $60,230, from which $2,013 is currently paid in sales tax. (4) One proposal is to broaden the base of the GST (the sales tax would apply to a greater number of goods and services, such as food and medicine), eliminate provincial sales taxes, and charge a national rate of 10 %, split 60-40 between the provinces and the federal government. It is estimated that the same GST revenue ($17.4 billion) could be acquired at a rate of 5.3 % levied on the broader base. Therefore, $32.8 billion would be the tax take on a broader base at a 10 % rate. This suggestion would seem to eliminate the need for a flat tax. However, the tax grab from Alberta, and from Alberta families, would be even greater.

The Alberta section is published by the

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Jason Kenney

How Alberta started financial reviews

One of the first things the Alberta government did following the provincial election of 1993 was commission an independent review of the province's finances. After all, Ralph Klein's Conservatives campaigned on a platform of deficit reduction.

Marshall Williams chaired Alberta's first financial review commission with an eye to clearly spell out to Albertans the state of the province's finances. The former president of Trans Alta Utilities says the Commission found that while Alberta's overall debt was still among the lowest in Canada, it was growing at an alarming rate - the fastest in the country. "The deficit was adding to the debt at such a high rate that within three to four years down the road, if nothing was done, we would be as bad as the worst, as far as debt is concerned. In fact, that first year projection indicated the debt would go up something like 60% in one year."

"Newfoundland and Saskatchewan were the two provinces in the worst situation, and they are very close to the wall now but driving at a very low speed. Alberta is way behind them debt wise but driving at a speed maybe 8 to 10 times to what they are."

The Commission made a series of recommendations, and the Klein government took the Commission's advice by taking urgent measures to get the deficit under control. Marshall says the province needs to tell Albertans clearly and on a regular basis what the finances are like if it hopes to get the public's support. "Best of all, if Albertans want to do something about it, there is very little the government can do in the long run in a democratic society. They will simply be thrown out and not given a chance to complete the job unless Albertans believe what they are doing is right."

Alberta's financial review process is highly acclaimed in Canada and may be adopted by other governments.

The Radio

The Alberta Taxpayers Association sponsored the "Radio Roundtable on Reducing Public Debt" from January to March, 1994.

The two minute spots, featuri national and provincial businc leaders, economists and public pc

How municipalities are facing the debt crisis

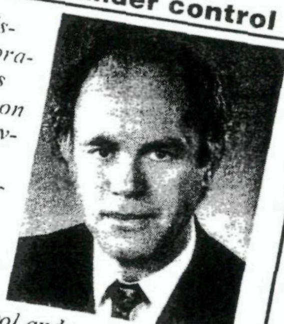
We are told that the total debt in Canada, federal, provincial and municipal, is more than $600 billion. Mo the attention is usually focused on federal and provinc debts, but what makes up municipal debt?

Well, there are usually such things as new swimming pools, libraries, new schools and school renovations. The Reeve of Strathcona County, Iris Evans, says in the past, tax increases were used to cover debts.

But she says that can't continue in the future. "I think today with the reduced funding from provincial and federal levels, new buildings and new structures will be paid for by the new subscribers or the people that are incurring the growths. So you will see a change where it will be a pay-as-you-go philosophy."

Evans says that developers will have to front end the costs of new municipal developments with the costs being passed along to local users. "Developers are paying that and I don't know that it is a popular concept with them. But if they want to grow and develop their land, it is all that can be done. The bottom line is that the consumer pays." Evans says all three levels of government need to adopt the pay-as-you-go approach to building schools, roads and sewers.

Getting government spending under control



The Business Council on National Issues represents many of the large corporations in this country. The council and its president, Thomas d'Aquino, have been on a crusade for the last ten years to get government spending under control.

Recently the Council warned that Canada could be in a fiscal crisis if deficits aren't controlled soon. But what does that mean? "That will happen when international lenders say 'Gee, you people have allowed your debt to get totally out of control and we are going to have to downgrade you.' And if that happens then we will have a run on the dollar. We are going to face the situation that has been faced by other industrialized countries."

Several nations have been forced to make spending cuts at the demands of foreign creditors and d'Aquino says that Canada may be forced to do likewise. "The United Kingdom, Ireland, New Zealand, Sweden, Italy, all of those countries have so called, 'hit the wall'. And, when they did hit the wall, the measures that governments had to bring in to correct the situation were far, far more draconian than anything that had ever been talked about or expected."

Dr. d'Aquino says if action had been taken four or five years ago, spending cuts wouldn't have to be so deep today. But, if not enough is done now, the cuts will be much worse tomorrow.

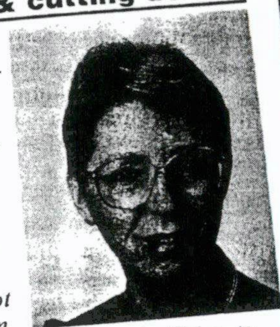
Community based health care

Community health nurses play a critical part in Canada's health care system. These nurses are perhaps best known for their work in local health clinics and home care. They help the health care system save money by enabling community people to take responsibility for their own health and reduce the risk of illness or injury. As the need to control rising health costs becomes more critical, these nurses see their current role expanding. Lee Fredeen - Kohlert of Millet, Alberta is the Past President of the Community Health Nurses Association of Canada. "Traditionally we have focused our practice on the individual, on the family, and then on the group/community. Our focus is now shifting to working more with communities. Promoting healthy living can only help save health care dollars. We have an important role to play in assisting communities in assessing where they are at with their health; aiding them in articulating what their needs are; and assisting them in determining what resources are required to meet those needs." Community health nurses also play an important part in delivering cost-effective, quality services. Analyses done by the CNA shows that nurses functioning within community health and home care programs can significantly reduce the cost of acute care by providing well coordinated nursing services to clients discharged home earlier. As health system reform requires a shift in thinking from being professionally focused to consumer driven, it is imperative for professionals and consumers to work together so that the end product is a cost-effective, quality system.

oundtable

experts were broadcast across erta. The goal was to increase ıreness of Canada's fiscal con- on and to stimulate public thinking by offering constructive solutions to reducing government spending. Below are some examples of the program.

Need for deficit reduction & cutting debt



Queens University economist Judith Maxwell says there is no doubt that government should get out of debt as quickly as possible. But, she notes that it took nearly two decades to create our fiscal mess and it may take that long to get out of it.

So while immediate cost cutting is needed, Maxwell says there also needs to be a change in the way public services are delivered. "I think there is a lot that could be done, for example, within the education system to make better use of existing facilities, to give more hands on control and responsibility to the principals and teachers in the schools and cut down on the administrative apparatus that we have in our school boards and in our provincial departments of education."

Maxwell says there can also be significant savings in reforming the delivery of health care. "We would like to shift he focus of activity away from the big expensive acute care spitals to more community-based clinics where you have easier access by the public and less expensive personnel dealing with a lot of the day-to-day problems." However, she cautions these changes can't take place until staff are properly trained to deal with them and that will take a little time.

Keeping a constant eye on the government cheque book

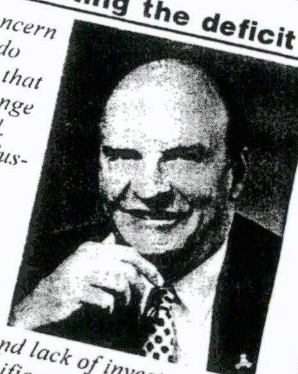
Most Canadians keep a close eye on their household finances and adjust their personal spending according to any changes in income. A leading economist in this country wants Ottawa to regularly monitor its financing and adjust accordingly.

Catherine Swift of the Canadian Federation of Independent Business says only Alberta has taken such an approach, a practice she highly commends. "They are reviewing their finances on a very regular basis so that if they see their budget going into deficit, or if they see revenue not responding or not coming along to the extent they thought, they are adjusting their budget. They are not waiting until year end and going 'Oh my goodness, I'm out a couple of billion, what a surprise.'"

Swift says the federal government does issue quarterly reports on its finances, but the problem is it doesn't react to potential problems. "When you see things going into the red seriously, and both revenue and expenditure checks are off, you should do something about it. What we have seen so far is them not acting on their quarterly records of what is going on. That is just crazy!"

Swift says reviewing budgets on a month-to-month basis is critical to ensure deficit and debt reduction targets are met.

The role of investment in cutting the deficit

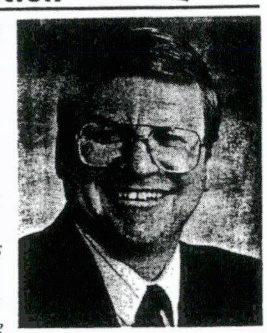


Government deficits are a major concern to international investors who want to do business in Canada, so it is no surprise that the president of the Alberta Stock Exchange wants to see budget shortfalls eliminated.

Tom Cumming says the investment industry can provide a positive stimulus to the economy by creating jobs and increasing tax revenues. He thinks the government should introduce an incentive to get people 'o invest in the stock market. "The investnent industry has had a very successful ear primarily because of low interest rates and lack of investment pportunities otherwise. So even without significant incentives, her than the lack of return elsewhere, the industry has shown eat activity. We have to build on that, particularly in the junior ector."

Cumming says junior companies will provide the new employent and tax base of the future because of their greater return. recommends a revival of the old stock saving plan where instors get a tax break that corresponds to the size of risk. "The re secure and more mature the investment the less, if any, of a x incentive provided, whereas in the more speculative vene there would be a return." Cumming points out that the m w cost government any cash. If an investment doesn't ke here is no expense. However, if there is an investent the economy grows."

Innovation through Education



Eric Newell, President and CEO of Syncrude Canada, says Canadians are understanding more and more about the need to reduce deficits and debt. But he says many still don't fully understand how close the country is, in his words, to going over the cliff.

"The problem with deficit or debt is that you don't get a lot of warning. One day there is just no money to pay the bills. Certain other countries have already had to go through that, like New Zealand, Denmark, and Ireland. Canada very much could be in that situation."

Newell says governments are right to reduce costs but they have to find more innovative ways of providing existing services. For example, Newell says the province of Alberta has more school trustees than Ontario, and he wonders whether that is necessary.

One success story of innovation in education is Athabasca University where quality education is delivered through correspondence without the high costs of traditional universities. "There is a good example for you of revenue generation capability. That is a strength we should develop in Canada, more particularly in Alberta, and market abroad. There is a whole huge market out there in the third world economy." Newell adds, more emphasis on academic excellence will increase our competitiveness and promote greater prosperity to pay off our bills.

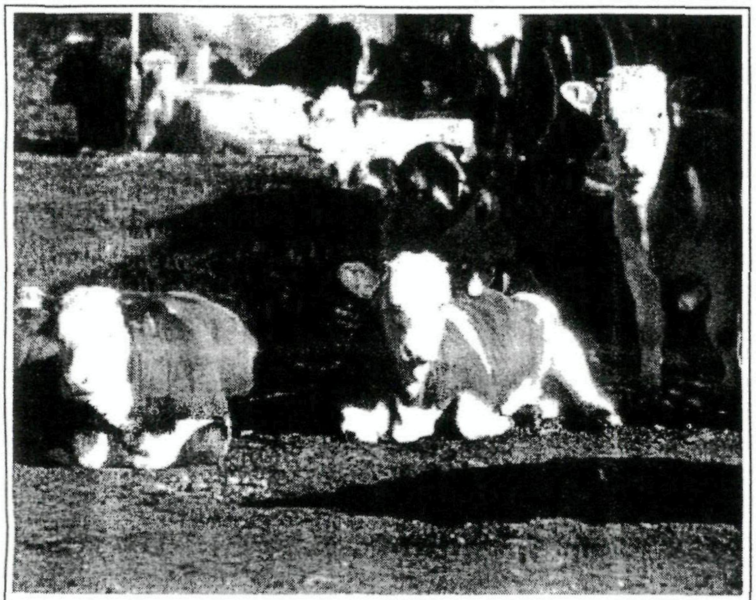
Ranchers speak out - will councils listen?

by James Forrest

Local governments in Alberta think they are bearing the brunt of taxpayers' anger as public spending shrinks while Premier Klein's government attempts to balance the province's books.

Provincial officials and local ratepayers are looking to municipalities to follow suit and tighten their belts. In order to help this process, the provincial government has given the municipalities much more discretion as to where the money can be spent.

The long-awaited new *Municipal Government Act* (MGA), which hands over major new taxing and spending powers to municipalities, comes into force on January 1, 1995. It replaces the old MGA and a multitude of other acts and regulations.



Instead of cutting spending and running more efficiently, it appears some municipalities are ready to hit farmers and ranchers with new and increased licences and fees.

It is hoped these new powers will make local governments more accountable to ratepayers. The idea is that citizens will be closer to decision-makers, so those who pay will have more input.

However, given this new authority, it will be interesting to see how ratepayers react to local government decisions, especially if increased taxes are looked at as a further source of revenue.

In early July, southern Albertans witnessed an example of things to come.

The County of Lethbridge determined that many of their roads were in need of repair. They reasoned that the roads had been worn down mostly by the heavy traffic of certain businesses, including livestock producers. Since they did not have sufficient funds for the renovations they decided that a tax hike was the answer. A new by-law was proposed requiring some businesses, notably livestock producers, to pay a new licensing fee. Since many farmers carry on several types of business activities, they could have been hit with several different licence fees.

A packed-house public meeting was held to debate the proposal, evidence that local governments are indeed more accessible to ratepayer concerns than senior levels of government. The council answered questions and took note of the almost unanimous, negative reaction. It is now believed the County will not go ahead with the business licence by-law.

Some claimed the real villain was provincial government cuts. But, in reality only about 8% of total municipal revenue comes from provincial grants.

Others blamed the new MGA. However, the authority for the by-law was in the old MGA. The power to impose business licences has always existed.

Moreover, the present MGA's exemption of farms from business taxes (which are different from business licence requirements) has been scrapped in the new MGA. Decisions about whom to exempt have been left to local governments.

Finally, the new MGA gives local councils the option to levy property taxes on a "market value" basis. This move would add to the tax burden of smaller, "building intensive" farmers and ranchers, whose buildings are now exempt.

Other municipalities watched the County of Lethbridge incident with interest. Because boosting revenues is frequently the politicians' first choice rather than cutting spending, some variation of this "tax" could likely be considered elsewhere before too long.

Rural ratepayers must be ready to act when local governments choose tax hikes over spending cuts. By participating and being vocal, ranchers in the County of Lethbridge appear to have won their skirmish. Let's hope others will follow suit, forcing governments to become more efficient and to cut unnecessary spending.

James Forrest is a Research Associate with the Alberta Taxpayers Association. He is based in Edmonton.

"Regulate"

Control by rule; subject to restrictions (Oxford Dictionary)

Much of the economic activity of businesses and individuals in Canada is subject to some type of government regulation -- environmental rules, competition policies, intervention in the transportation, utilities, and telecommunication industries, and safety standards to name but a few.

The regulatory jungle has grown dramatically, especially since 1970, creeping into the daily lives and actions of Canadians and Canadian businesses. In 1987, for example, the federal government suggested they would introduce 800 new regulations!

This morass of rules limits choices and requires additional work on the part of businesses, making regulations an indirect form of taxation. While the imposition of regulations may sometimes be necessary, and indeed essential for economic transactions, there are many instances where government regulations are simply an unnecessary burden on Canadians.

In April of 1993, Premier Klein announced a review of Alberta's regulatory environment. On June 10, 1994, the "Caucus Task Force on Deregulation" was announced.

This task force will be holding consultations with the public in order to "look at reducing and simplifying legislation and regulations," and "streamlining policies and procedures in all government departments and agencies."

Governments have been promising to clean up the regulatory quagmire for decades now. Supposedly, federal regulatory reform began in 1978 - but the bog is muddier than ever. Hopefully, this Task Force will finally thin out the regulatory jungle.

Ridiculous regulation contest

Ever had a regulatory nightmare? What's your worst example of the bureaucratic jungle?

Please mail or fax an example of a "Ridiculous Regulation" to the Alberta Taxpayers Association.

The ATA will forward your example to the Deregulation Task Force, and we'll print the top five in the next *Taxpayer.* The winner will receive a free copy of Charles Bens' book, "*Measuring City Hall Performance*". Please send your suggestion to:

The Alberta Taxpayers Association #410, 9707 - 110 St., Capital Place, Edmonton, Alta, T5K 2L9.

Or fax it to: 482-1744 (Edmonton), or 640-2452 (Calgary).

• B.C. pension problems

by Troy Lanigan

What happens when a pension plan runs out of money? If it's a government-backed plan, it means that taxpayers pick up the tab.

B.C.'s Auditor General, George Morfitt, has reported that five public sector pension plans have an unfunded liability of $3.7 billion (a total which the government refuses to report as part of the province's debt) -- and he's calling for changes in how these pensions are reported, accounted for, and ultimately how they can be put into the black.

But the changes that finally arrived in the Legislature this year should alarm every B.C. taxpayer.

Bill 53, the Pension Statutes Amendment Act signs into law that taxpayers, rather than plan members, shall be responsible for any and all future unfunded liabilities. It could very well translate into higher taxes.

The Act specifically addresses four plans covering 180,000 employees in the public sector: college employees, civil servants, teachers and municipal employees. Noticeable by its absence was the plan covering MLAs.

These plans, and several others like them in the public sector, are broadly classified as "defined benefit plans" which means benefits are predetermined by a formula, and contributions are based on whatever is necessary to produce the desired benefit.

Should a "defined benefit plan" run out of money to pay benefits it usually requires a change in inputs, i.e.: increased contributions, investment mix and the like -- since the contractual obligations prevent cutting benefits to eligible pensioners.

Until Bill 53, no statute specified who was responsible for these unfunded liabilities. The government (read, the taxpayer) traditionally made up any short falls out of general revenues each year.

But the Auditor had been calling not only for statutory responsibility, but financial responsibility as well, including an independent actuary's recommendation that contributions from both the employer and the employees be increased to make these plans solvent.

The government rejected the recommendation.

The Pension Statutes Amendment Act attempts to freeze current unfunded liabilities of the four plans outlined above, enhance benefits for pension members and legislate that any future increases in unfunded liabilities will be picked up by the taxpayer. Minister Responsible, Elizabeth Cull, stated during debates on the Bill that "funding shortfalls are not the fault of plan members ... I think it's unfair to ask today's workers to contribute more."

What nonsense.

In what is typical of almost every government-backed or financed program, politicians look solely at the beneficiaries of their spending and completely disregard who's picking up the tab. In this case, despite the fact that more than 70% of B.C. workers in the private sector have no pension plan at all, the government sees fit to have them prop up the pension benefits of those who work for government.

If the government was serious about pension reform it would consider two options. First, negotiate with the public sector unions to ensure that employees and employers (again read, the taxpayer) are sharing in the reduction of these liabilities equally. Second, take a page from its NDP brethren in Saskatchewan where in 1979 former Premier Blakeney closed the province's "defined benefit plans", and replaced them with "defined contribution plans" whereby benefits are based solely on the equal contributions of employees and employers, dollar for dollar.

Defined contribution plans are fair. They ensure there will never be any unfunded liabilities for either plan members or taxpayers in the future.

We'll hear more about this issue in the future. While the government may have stemmed much of the Auditor's bark for now, they will still have to answer to taxpayers if the bills for these plans continue to roll in as they have in the past.

Troy Lanigan

Troy Lanigan is the Provincial Director for the Canadian Taxpayers Federation in British Columbia. He is based in Victoria.

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Troy Lanigan

B.C.'s $3.7 billion unfunded pension liability

How is it that five pension plans can rack up $3.7 billion in underfunding?

If you look at it in some detail you'll see that both under utilization of pension funds and the structure of these plans has led to a huge liability for taxpayers.

The first problem is a situation in which the agent who negotiates the pension plan agreements is not the same one who is responsible for paying out benefits.

For example, a school board would negotiate a pension with the teachers' union, but it's up to the government to pay for it with provincial tax dollars. To the government's credit, a new law centralizing province-wide bargaining with teachers will stem this problem, although it remains a concern under the Municipal Superannuation Plan.

A second problem has been that prior to Bill 53 pension funds were invested solely in guaranteed government bonds and various other debt instruments. Again, to the government's credit, they have opened the door allowing these funds to diversify and ultimately reap higher returns.

However, the main problem surrounding the unfunded liabilities has to do with the plan's structure. A defined benefit plan can only remain solvent if contribution levels are flexible to adjust for any unfunded liabilities. Because this central issue has not been addressed for several years, the unfunded liabilities have ballooned until Bill 53 legislated that taxpayers would fill the void.

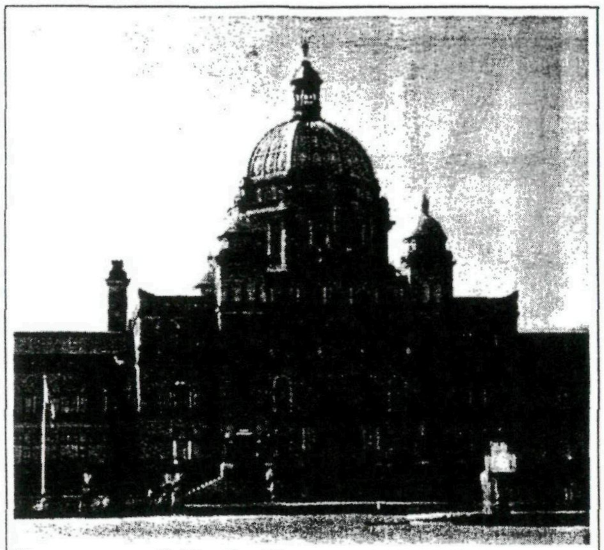
The government has suggested the Pension Statutes Amendment Act won't increase costs to taxpayers because investment diversification will reap higher returns.

That may very well be the intention, but it seems unlikely because even if returns improve, the Act also increases pension benefits and costs by:

- *setting up advisory boards to govern the plans.*
- *extending benefits to part-time employees.*
- *lowering the required number of years to receive benefits from 5 years to 2 years.*

Furthermore, there is no specific requirement or schedule for these unfunded liabilities to be offset.

Regardless of the government's claim, it appears to be predicated more on wishful thinking than sound financial management.



Taxpayers are on the line for all government pension plans.

Pension plan definitions

Unfunded liability - an unfunded liability exists when the future benefits that must be paid from a fund are greater than the sum of the future contributions to the fund and the value of the fund's investments.

Surplus - a surplus exists when current revenues from contributions to the fund are greater than the current liabilities from benefit payments from the fund.

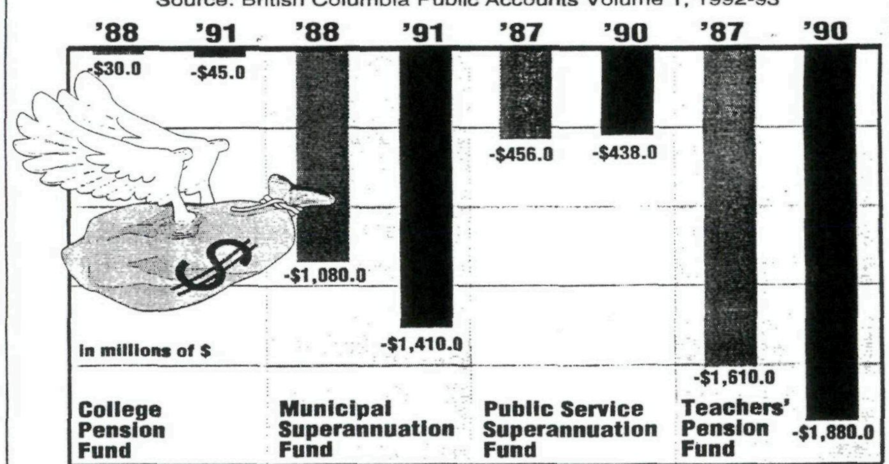
Deficit - a deficit exists when current revenues from contributions to the fund are less than the current liabilities from benefit payments from the fund.

Defined benefit plan - in a defined benefit plan, the pension benefits are contractually defined, with contributions typically being set to ensure the benefit payments can be met.

Defined contribution plan - in a defined contribution plan, the combined employer-employee contributions are contractually defined, with benefits being whatever the contributions, plus interest, will purchase at time of retirement.

B.C.'s unfunded pension liabilities

The change in unfunded pension liabilities of public service pension plans from the year of latest reporting to three years previous.
Source: British Columbia Public Accounts Volume 1, 1992-93



Please complete and return - Summer 1994 survey

1. Please indicate with a number 1 to 5 (1 means "strongly support" and 5 means "strongly oppose"), the extent to which you would support user fees in the following areas:

_____ Health care
_____ Education
_____ Roads/highways/bridges
_____ Other

Comments: ______________________________

____

2. Would you support the establishment of a private health care system which would co-exist alongside our current public system?

[ ] Yes [ ] No

Comments: ______________________________

____

3. What would you say is the average annual amount spent per person on public health care in B.C.? (choose one)

___ (a) $650 ___ (b) $900 ___ (c) $1,300
___ (d) $ 1,800 (e) other ___________

4. Will the issues of "recall and initiative" affect your voting decision in the next provincial election?

[ ] Yes [ ] No

Comments: ______________________________

____

5. Do you believe that corporations and rich individuals (with income over $100,000 annually) are paying their "fair share" of taxes?

[ ] Yes [ ] No

Comments: ______________________________

____

6. Which of the following, to your knowledge, pay taxes?

MLAs and MPs [ ] Yes [ ] No
Crown corporations [ ] Yes [ ] No
Unions [ ] Yes [ ] No

Please mail or fax to: The Canadian Taxpayers Federation - #604 - 1207 Douglas St., Victoria, B.C., V8W 2E7 Fax: 388-3680

Your name: ______________________________

City / town: ______________________________

No surprise...

It should come as no surprise that the government's Bill 53 did not include the MLAs' pension plan.

With recent changes taking place in Manitoba, British Columbia is now the only province in Western Canada with a defined benefit plan for its MLAs. Alberta Premier Ralph Klein abolished his province's plan last year, and former NDP Premier Alan Blakeney converted Saskatchewan's plan to a defined contribution plan in 1979.

The Canadian Taxpayers Federation has recommended on several occasions that all MLA pension plans, as well as those for federal MPs and Senators, should be modelled after Saskatchewan's 1979 reforms (Manitoba is currently in this reform process).

For every dollar that Saskatchewan MLAs pay into their plan, taxpayers pay one dollar. In contrast, when B.C. MLAs put a dollar into their pension plan, taxpayers are on the hook for $5.

Indeed, B.C.'s Auditor General pointed out that a more accurate accounting of MLA pension benefits was long overdue. But, unlike the pension benefits of other public sector employees, MLAs have no intention of drawing attention to their own plan, which grants them nothing short of a lottery win should they lose an election.

Over the 7 year period, from 1986 to 1992, 50 B.C. MLAs were put out to pension pasture for a total bill of $22 million. Of this $22 million, only $3.4 million was contributed by the MLAs with the remaining tab of $18.6 million to be picked up by taxpayers.

Currently, 15 MLAs would be eligible for benefits if they resigned or were defeated in an October 1995 provincial election (they have to serve for 7 years or 2 legislative sessions to be eligible). The following chart details their pension scheme.

Projected pension benefits for B.C. MLAs

*MLAs in B.C., who choose to contribute to the plan, are eligible to receive benefits when a) they have served as an MLA for over seven years or more than 2 Parliaments, b) they reach the age of 55, or their age plus years of service equal 60, and c) they cease to be a Member. The following table projects the pension benefits for the 15 MLAs who will be eligible to receive pensions if they were to retire or be defeated if a provincial election was held in October 1995. * MLA pensions are adjusted annually for inflation according to the Consumer Price Index (CPI). Calculations assume an annual 3% increase in CPI.*

Member	Age at Oct. '95	Years of service/ Oct. '95	First year pension benefits	Benefits at age 75	Total Benefits to Age 75
Barlee, Hon. Bill	63	7	$27,323	$37,821	$387,768
Barnes, Emery	65	23	$49,638	$64,767	$569,046
Blencoe, Hon. Robin	47	12	$41,070	$91,228	$1,763,171
Cashore, Hon. John	60	9	$33,239	$50,277	$618,277
De Jong, Harry	63	9	$25,821	$35,742	$366,450
Edwards, Hon. Anne	60	9	$32,868	$49,716	$611,308
Gabelmann, Hon. Colin	51	16	$54,071	$106,714	$1,861,482
Hagen, Hon. Anita	64	9	$33,014	$44,368	$422,839
Hanson, Lyall	66	9	$35,344	$44,772	$359,059
Harcourt, Hon. Mike	52	9	$42,017	$80,510	$1,363,584
Jones, Barry	54	9	$26,673	$48,174	$764,886
Lovick, Dale	51	9	$26,808	$52,908	$922,902
Marzari, Hon. Darlene	52	9	$32,890	$63,021	$1,067,389
Serwa, Clifford	59	9	$28,156	$43,866	$567,540
Weisgerber, Jack B.	55	9	$37,037	$64,944	$995,191

Premier Harcourt: Pension benefits totalling $1.3 million for 9 years of service should he resign or not be re-elected in a fall 1995 election.

Survey Results - Spring 1994

1. The Klein government in Alberta is balancing its budget over three years by freezing taxes and reducing government spending by an average of 20%. In your opinion:

a. Klein goes too far 1%
b. Klein should raise taxes to balance the budget 0%
c. Klein is on the right track 73%
d. Klein could go even further 25%
e. Other 1%

2. Do you believe that Ralph Klein's legislated balanced budget approach is a model for B.C.?

Yes 96%
No 1%
Undecided 3%

3. What is your impression of the most recent B.C. budget?

Comments ranged from poor, disappointing, directionless, to deceitful, outrageous, and out of control.

4. Assign a letter grade to the last two budgets:

	1993-94 Glen Clark	1994-95 Elizabeth Cull
A	0%	0%
B	0%	0%
C	17%	23%
D	25%	27%
E	5%	3%
F	50%	42%
Other	3%	5%

5. What should the government be doing to "create" more jobs?

a. Spend more money on job creation programs 4%
b. Expand the public sector 1%
c. Invest in "infrastructure" 8%
d. Provide business with loans, grants, etc 12%
e. Lower taxes 64%
f. Reduce red tape and regulation on business 92%
g. Other 5%

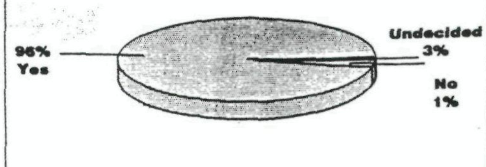
Comments included: lower the deficit, cut spending, and government cannot create jobs.

6. Please mark any number of the following you have done (% who have):

a. letter or call to elected official 21%
b. letter to the editor 5%
c. attend a public meeting or rally 30%
d. signed a petition 69%
e. called a talk show 6%
f. none of the above 30%
g. other 10%

Comments included: worked on election campaigns, attended candidate meetings, and handed out 100 copies of Canadian Taxpayers Federation petitions.

Do you believe Alberta's legislated balanced budget approach is a model for B.C.?



Get involved!

THE VENETIAN BLIND SERVICE CENTRE
331 West 7th Avenue, Vancouver, British Columbia V5Y 1M2 (604) 874-1121
Fax (604) 874-0076

January 22, 1994.

Honourable Bill Barlee
Minister of Small Business, Tourism and Culture
Room 124, Legislative Buildings
Victoria, B.C.
V8V 1X4

Dear Mr. Barlee:

This letter is sent to protest the increases levied in direct taxes and hidden taxes which are hurting our business operation and I am sure many other businesses. This last year has been a struggle for our company to keep afloat. The struggle has been met with a lot of hard work and dedication and we have managed to keep fourteen (14) employees employed and off the unemployment lines. However, as we start this new year, we are being hit with tax increases in all directions. Our WCB assessment rate increased 9%, our UIC employer and CPP employer premiums have each increased 7% and our personal tax rates have increased. In addition we have also experienced increases in our day to day operating costs, ie property tax increases, BC Hydro increases and ICBC increases on our company owned vehicles.

Unfortunately, it is not possible to raise our prices in order to cover these additional costs. The market place is extremely competitive and we would not survive if our prices were to increase. I feel that the Governments (federal, provincial and municipal) should be more accountable for their actions and be more responsive to the people under their jurisdiction.

Over the years I have been able to invest some of the profits to provide for my retirement. Now the provincial government has decided that they would like to tax these investments through the BC Capital Tax. This tax seems quite inequitable in that if I held all my investments personally no tax would be payable. Since I use a company to hold these investments (which is used for liability reasons) I am penalized. The government should encourage people to invest, but through the use of this tax, it is in effect discouraging it. In addition, I would like to know where these new funds are being used. They certainly are not being used to reduce other taxes.

THE VENETIAN BLIND SERVICE CENTRE
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Honourable B. Barlee

This country and this province have to take a long look at where they are headed. We are becoming our own worst enemy in that we are encouraging people to move their wealth offshore, we are encouraging the underground economy and we see a general apathy towards the ongoing deficit problems all of which is brought on through our increasing taxes and the Government's lack of accountability.

We appreciate your attention to these matters which concern us greatly. If you would like to discuss these ideas further please call either

James F. Porter, Businessowner - 874-1121
Janice Walsh, Accountant - 874-1121
Donald Jewell, Accountant - 691-3028

We look forward to discussing these matters with you.

Yours truly,

James F. Porter
Businessowner

JFP/jl
Copy: Honourable Mike Harcourt
Honourable Elizabeth Cull
Mayor Phillip Owen
Councillor George Puil
The Rt. Hon. Jean Chretien
Gillian Shaw - Vancouver Sun
Ashley Ford - Vancouver Provine
Honourable Preston Manning
Honourable Paul Martin

This February a Canadian Taxpayers Federation (CTF) representative approached a business owner, Mr. Porter, to see if he would be interested in becoming a CTF supporter.

There was no doubt he shared our concerns about high taxes, debt, over-regulation, political accountability and the like. But Mr. Porter, like many others, has made a conscious decision to cut back on any discretionary spending.

Our representative really didn't have to ask why. The answer was staring him in the face as he looked down at his publications, newspaper clippings, charts and petitions. Taxes are taking their toll.

Mr. Porter went to his desk and pulled out the following letter and said to our representative that this letter explains where he and his business are at.

So while our governments fawn over small business, we provide a first-hand account as testimony to how they're actually doing.

And on the subject of taxes it should come as no surprise that this year's Tax Freedom Day fell on July 5th in B.C. -- the latest of any province in Canada, consuming a full 51% of average cash income!

Calculated by the Vancouver-based Fraser Institute, Tax Freedom Day is that day the average family has done enough work to pay the tax bills imposed on them by the various levels of government.

What's worse is that these numbers don't include deficits, which, as most of us know, are deferred taxes. Including deficits would put our Tax Freedom Day back to August 6th.

But perhaps there's light at the end of the tunnel. Taxes and fiscal responsibility are finally on the top of every political agenda in the country. Both major opposition parties in B.C. have committed themselves to balanced budget legislation while taking measures to stem the growth of taxes. Ms. Cull's last budget was a marked improvement over her predecessors', which was largely the result of sensing the political winds blowing.

Let's keep these winds blowing. If every taxpayer in the province sat down once a year to write a letter as Mr. Porter did, it's a safe bet that not only would our taxes be lower, but our elected officials would also likely be a lot more responsive to the constituents they supposedly represent.

Cabinet contact list

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